











# LABOR RELATIONS IN INDUSTRY

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MY FATHER AND MOTHER

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## PREFACE

THIS book deals with human relations in industry, or with what may be termed labor relations.

The subject is approached primarily from the standpoint of industry as a whole, of the state, and the relations of industry and the state to each other, rather than of individual plant organization. In discussing the part played by industry as such, however, the broad aspects of plant policy and organization that have been developed for administering the principles set forth are included, together with the important considerations of the individual worker as he is affected by the whole relationship.

Accordingly, the specific purposes of the book are, first, to give a basis for developing a general point of view on labor relations; second, to make an analysis of the major problems involved; third, to indicate the major trend of development of policy and organization in the respective fields; and fourth, to offer in each case constructive suggestions of a fundamental nature for the handling of administrative problems arising out of these relations.

The discussion proceeds with no assumption that it is either possible or desirable to standardize or make static the machinery of industry and of society for dealing with these problems. It is based upon the assumption, however, that there are certain principles of human behavior and equity in the conduct of industry which are capable of being reasonably discerned and followed, and without the recognition of which industry itself cannot hope permanently to prosper. Compared with these principles, matters of specific administrative technique are entirely secondary because the latter are, or at least should be, governed by the former. Once these basic principles are established, matters of specific technique, of course, become im-



portant. But too often the details of technique are considered or introduced without regard to the fundamental principles of control lying back of them.

It is the intention of this book to get back to a consideration of the simple and primary values affecting human relations in industry. Often the simple is the most significant, and the obvious, the most likely to be overlooked. In fact, it would seem that the world today suffers most of all from the lack of thoughtful appreciation of the simple and primary values in life, and that in industry and in other pursuits people have become lost, to a large degree, in the complex and accessory. This fact seems particularly true of human values in industry. It is a truth that has the utmost significance both from a social and from a practical business point of view.

The most practical thing that industry needs today is an industrial philosophy that is human, and, being human, is most efficient.

This discussion frankly accepts the social point of view in dealing with problems of human relations in industry, in the belief that from the very nature of things such a view-point is the broadest and most logical one to be assumed in this field. Such a view-point, however, does not preclude the testing out of the various principles and methods on the basis of sound business considerations. In fact, the text endeavors to show that these two points of view do not conflict in the administration of human relations in industry. On the other hand, failure in the past to understand this has been one of the major sources of the perplexities that now beset industry.

This book is the product of the author's experience and observation as an active executive and counsel in the administration of labor, economic, and public relations for numerous industries and individual employers. This experience, national in character and diversified in problems involved, has also included the administration of organizations composed of employers, labor, and the public joined together

in a common body to promote the good of all. It has particularly embraced the promotion of cooperative relations between employers and workers but has extended over the various phases of the entire subject discussed.

In a work of this character, it is impossible to give adequate acknowledgment to the many persons who, directly or indirectly, have contributed to the final result. The author wishes to acknowledge his indebtedness to all of those whose opinions and suggestions he has had the good fortune to receive. To Professor C. W. Doten, of the Massachusetts Institute of Technology, who has read the complete manuscript and made many valuable suggestions, the author is specially indebted.

DWIGHT LOWELL HOOPINGARNER



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LABOR RELATIONS IN INDUSTRY

PART I

A POINT OF VIEW IN LABOR RELATIONS



# I

## INDUSTRY AND THE WORKER TODAY

The problem of human relations in industry of first importance. Basic characteristics of the industrial order today. Advantages of present-day industrial order: (1) to society, (2) to the employer, (3) to the worker. Disadvantages of our industrial order: (1) to society, (2) to the employer, (3) to the worker. General standards affecting human relations in industry. Industrial evolution.

THAT the problems affecting human relations in industry have come to assume a place of first rank among the difficulties which beset the conduct of modern business enterprise, is generally recognized. That neither the philosophy nor the methods of dealing with these problems under the old order of things is entirely satisfactory today also seems evident. But as to what may be the most desirable aims and methods in the future for reckoning with the perplexities that have arisen in the handling of these relations, there are honest differences of opinion.

Before any judgment is expressed as to what the major points of difficulty are or how they affect the several parties to industry, it is desirable to consider briefly those factors which constitute the very basis of the present industrial order itself as it influences human relations. If one takes a panoramic view of industry today, a number of rather elementary but cogent observations present themselves.

### BASIC CHARACTERISTICS OF THE INDUSTRIAL ORDER TODAY

1. Industrial society today is *exceedingly complex and highly organized*. Consider the vast number of articles being produced today, the resources back of them, the initial sources of raw materials, the processes of production, the different groups of workers involved in the productive proc-

esses, with the wages they receive and their varied standards of living, the methods of marketing goods, and similar factors. The picture is little short of astounding. The expenditure in both effort and money on the part of organized society to furnish just the commonplace things that most people take for granted is enormous. Industry has become minutely organized and exceedingly complex in the production of goods and service.

2. The *interdependence of individuals and of peoples* throughout the world in securing the goods which they want becomes increasingly close. A strike in Liverpool or New York ties up the great Atlantic liners that carry goods across the sea. A bad wheat crop in America threatens with starvation whole peoples in distant parts of the earth. The slackening of coal production in West Virginia or Illinois all but closes the factories of New England. A railroad strike, even on the part of the workers in one craft alone, may stop the industrial wheels of the nation and curtail the food supply of millions of persons. Truly people no longer work apart or live apart.

3. The *demand for greater production* is becoming universal. Today production for the sake of getting more and more goods appears to be the concerted demand of a substantial majority of people. Increased production is offered by many, moreover, as the only means of saving the world from the present economic and social difficulties that beset it. Nearly every one who controls or is interested in a productive unit in society urges continuously greater markets for his product. Production is paramount, it is vigorously asserted on all sides.

4. The *productive units of society have become massed* in order to meet the ever-increasing demands of society itself. There are large factories with great numbers of workers of varied trades and callings under the same roof and management, brought together to facilitate production. Likewise, great quantities of machinery and equipment are



brought together in the same productive unit. This massing of materials and men has brought with it many complicated economic and social problems.

5. There is a *high degree of specialization and standardization* of the materials, processes, and agents of production. Parallel with the specialization and standardization of the material means of production which have taken place, there have also developed highly specialized types of labor. The skilled workers have become fixed in definite and, to a very large degree, restricted types of work.

6. The *present industrial order is a highly commercialized* one. There is, as has been noted, a great cry for production; but, after all, production is more or less taken for granted, and emphasis has come to be placed more and more upon the marketing of the goods after they are produced. Sales seem to set the pace for production. Huge distributing organizations, local, national, and international in scope, have sprung up. The goal seems to be everybody's wares in everybody's port. There is organized effort on every hand, justified or unjustified as the case may be, to create demand where no demand exists. Too little attempt has been made to secure balance between sales effort, production, and the legitimate needs of the consumer.

7. The present industrial order is a *highly competitive* one. It is based upon private enterprise in business; in a general sense the right of competition with one's fellows exists for all without substantial limitation. Hypothetically, every field is open to everybody, and any one, if he sees fit, may try to make use of it. The individual has ceased to supply his own needs, while many people make goods for his consumption and bid for his patronage.

8. The present industrial order is a *highly capitalized* one. Along with the massing of materials and men has gone the massing of money. In this connection distinction must

be made between a "capitalized" industry and a "capitalistic" industry. The difference lies largely in the motive back of it. By a capitalized industry is meant one that requires the employment of capital to finance it—the expenditure of reserve money to promote production, usually in anticipation of future as opposed to immediate returns. By a capitalistic industry is meant one in which the motive is the gaining and holding within a special group or class the wealth created. It is therefore evident that there can be a highly capitalized industry without its being capitalistic, provided the end in view is reasonable service and not unwarranted private gain. It is essential to recognize that the development of modern industry requires a highly capitalized system of finance for its effective conduct.

9. *Absentee ownership and control* of industry has sprung up along with the expanding and increasingly complex system of conducting industry. Not only are the owners and managers often not the same persons, but the controlling power frequently is quite removed from the site of operations, thereby bringing about long-range handling of business in its various phases, with attendant advantages and disadvantages.

10. *The lack of proprietary interest* among the masses of workers is a matter of the greatest significance. The great mass of workers do not own a substantial portion, if any, of the materials, tools, or product of industry. Nor do they, as a general rule, own their homes or other property except personal belongings. The consequent absence of a sense of proprietorship in industry or in the material resources of the state brings with it many problems of far-reaching consequence not only in industry, but throughout the body politic.

11. There is a *marked division of the active parties in industry* into the two great groups of employing and employed. In this system—often thought of as the wage sys-

tem—the one hires and the other is hired. The employer has largely held the reins of control. The psychological and economic problems arising from this relationship comprise some of the most fundamental questions awaiting solution by modern industry. The activities of both capital and labor, acting as separate and distinct groups, sometimes opposing each other and sometimes working together, are among the outstanding characteristics of the modern industrial system.

#### ADVANTAGES OF THE PRESENT-DAY INDUSTRIAL ORDER

1. *To society in general.* Such an industrial order, when properly conducted, has decided advantages—to society, to the employer, and to the worker. Society gets a greater total product, quicker and more varied production, greater coordination and saving of effort and of money, increased wealth, and greater flexibility of wealth than has been possible under past systems. Under private enterprise and free competition, moreover, there is a great stimulus to effort, a wide variety of activities, and an incentive to the members of society to engage in employment of their own choice.

2. *To the employer.* The employer or investor, in return for assuming the financial risk of conducting the business enterprise, has in the past got most of the profits. He also has had control of management and thus has been able to exercise a substantially free hand in meeting his ends.

3. *To the worker.* The worker has had to assume no responsibility for financing the business enterprise or for marketing the goods. He has received an income while employed. He also in many cases has been able to develop greater skill along given lines than otherwise would have been possible, and thus has gained increased potential earning power. Through increased productive power he often has secured more time which could be used for the pursuits of leisure.

## DISADVANTAGES OF OUR INDUSTRIAL ORDER

1. *To society.* But there are certain disadvantages inherent in the system, especially when it is not most thoughtfully conducted. The public in the more general sense has in many ways suffered. Much duplication of effort has resulted from the exercise of private initiative and free competition, which has often resulted in poor coordination of industrial resources and of the specialized machinery of production. Enormous amounts of labor and money are being dissipated in duplication of effort or excess undertakings.

Society has developed, moreover, into more or less distinct social groups, one group dependent upon the other for subsistence, with the attendant problems of social adjustment. Throughout industry, it has been claimed, there is inequitable distribution of wealth. There has been a decided tendency, through the introduction of machine processes, to curb initiative and imagination on the part of the great mass of workers, which of itself is likely to bring with it general social retardation. Furthermore, while there is much apparent activity and effort, there still seems to be a big gap between what industry is able to produce in the way of material goods and what society thinks it wants. In many instances, society has not been able to protect itself from those who, under private control of industry, prostitute their efforts as well as the resources and machinery of production for their own selfish gain. In addition, there has developed a disastrous and wide-spread suspicion and distrust between employers and workers which has made not only for loss to both, but also for loss to society as a whole.

2. *To the employer.* The employer, too, has at times had his difficulties. He frequently has had to assume a large financial risk. While he may have had control of the enterprise, yet he has often lacked the opportunity to employ it regularly to advantage, and sometimes through occurrences beyond his control he has lost his investment.

3. *To the worker.* Labor has suffered in many respects. It has been forced, through the events of the years, into a distinct wage-earning class dependent upon others for its livelihood. The individual worker has had no control in the management of the industry in which he works. He has had no ownership of materials and machinery or of the product of industry. He has had, in general, no voice even in the control of conditions of work, and no security of employment. Competition with other workers for jobs has been keen, particularly when there is a surplus of labor. He has been removed from the fundamental unity of the productive processes, often from the source of raw materials as well as from the finished product. He has become only a single function, so to speak, in the whole process of producing, with a piece-meal vision of the industrial order as a whole. What vision of it he has had has been secured in a haphazard fashion from his own little sphere of consumption. He has had, therefore, no substantial opportunity to become informed regarding the economics of business enterprise in general.

He has had limited opportunity, moreover, through conditions of work as well as the sheer force of numbers of his kind, to rise to the top. When one person becomes general manager of a company, for instance, thousands of other workers, even though they may have ability, cannot rise to that position while he holds it; and pressure of too great competition restrains them from going into business elsewhere. Generally speaking, it is fair to say that the average worker, under the prevailing system, has not had the individual opportunity for self-expression in industry.

#### GENERAL STANDARDS AFFECTING HUMAN RELATIONS IN INDUSTRY

If, by way of summary, certain standards be set up according to which the industrial order as it has affected human relations may be judged, the present industrial sys-



tem can be briefly and unfavorably characterized on a number of major counts.

1. The purpose of business as conducted in the past has largely been to produce for the sake of profits. The emphasis has been on the materials and methods of production as a means toward securing wealth. The factory system, which has been predominant during the last 150 years, has thus far reflected a materialistic philosophy of life. Human values have become secondary or lost sight of in the rush for things.

2. Industry has been working, by and large, for *amount* of production with too little attention to the *nature* of the things produced and to their most effective marketing. Industry has produced what it could sell or what it hoped to sell, rather than what ought to be produced, and then has developed highly commercialized machinery to distribute these goods. The relative values of wealth itself as well as of the application of effort and its coordination in industry have become lost in the shuffle.

3. Industry in general has been conducted on a *conflict* basis. Little or no mutuality of interest between capital and labor has been recognized. The two great parties to industry, individually and in group, have not recognized each other as coworkers of common interest in any real sense.

4. Within minimum limitations, the type of control and ownership in industry has been absolute and too frequently autocratic. The employer has had the right of arbitrary decision and absolute proprietorship. Whether or not he has been moved by proper motives and has exercised his privileges and shared his rewards in the past to the best advantage of all the units in society is another, though important, question.

5. Labor as the furnisher of productive power has largely been considered a *commodity* without recognition of primary rights of personal well-being. Man's value as a

worker has been too largely determined by the mechanistic operation of supply and demand. At times manipulation has increased the undesirable effects of the operation of supply and demand *per se*.

6. The social status of the worker has been in many ways an inferior one. He has been personally free, but economically dependent, and therefore, to a substantial degree in social dependence upon his employer.

7. Throughout the whole course of development of the present industrial order there has been an ever-increasing degree of organization among the workers themselves, on the one hand, into strong labor unions, and among employers, on the other hand, into powerful employers' associations. Sometimes these have been designed, established, and conducted for the purpose of active industrial warfare.

#### INDUSTRIAL EVOLUTION

Industry has not always been conducted along the lines which are now characteristic of it. The present order is the product of a process of industrial evolution going on since the beginning of things industrial. The most distinctive phase of this development thus far brought forth was ushered in during the latter part of the eighteenth century when there started what is generally known as the Industrial Revolution. Here began in substance the factory system of production with its accompanying phenomena in the fields of finance, procurement of raw materials, marketing, and consumers' activities. Previously, the domestic system of manufacturing, supplemented by commercial middlemen, had held sway, and before that, the guild or handicraft economy in which the professional craftsman manufactured and sold direct to the consumer.

To what extent the industrial order of the past century has theoretically been best for that period of the world's development is not for discussion here. Certainly condi-



tions preceding it were not ideal. But as to how permanent the present foundations of industry are, how they can best be maintained if they are to be permanent, and just how they are to be modified if further change in them is yet to come—these are problems lying at the very roots of civilization itself, and they are problems that cannot be dogmatically brushed aside.

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## II

### MAJOR PROBLEMS OF LABOR RELATIONS

The conscious demands of labor. Correlating the requirements of production with those of labor. Nature of production and marketing. Increasing the productive period of life. Industrial insurance. Supply and distribution of labor. Women in industry and child labor. The need for education. The problem of control.

BEFORE taking up the particular aspects of labor policy and administration in detail, it is desirable to present what appear to be the outstanding problems of labor relations and the main forces underlying them.

The more important of labor's expressed demands may be considered first among the major problems of labor relations. These are given as interpreted from labor's own statements of aims and policies and from its direct and indirect activities in furthering these ends.

#### THE CONSCIOUS DEMANDS OF LABOR

1. There is the deep-rooted and ever-present desire of the worker for a *continuously better status* in life. Like any normal human being, he desires a progressive standard of living. This means more to him than meeting the minimum necessities of life, or mere subsistence. He wants more of those goods, both material and spiritual, that go to make life fuller and richer. He wants leisure. He also wants the opportunity to gain culture and education. But these are of small value, he feels, without social and economic, as well as personal, independence. It is true, of course, that these things do not mean the same for everybody. But they constitute that "something" which makes man strive for the highest—that which brings individual

satisfaction and the approval of his fellows. Without it he can neither work nor produce effectively, nor assume his full rôle as a constructive member of society. In fact, failure to secure it often makes him in time positively antagonistic to his particular industrial group and to society at large. Hence, the worker's status in life has a decided economic, as well as spiritual, significance.

2. There is the demand of the worker for a *greater share in the responsibility* of the business enterprise. This expresses itself in two ways: first, demand for a share in management through cooperative control, collective bargaining, or other medium that gives a voice in control; and, second, often a desire for an opportunity to exercise more responsibility in the work itself. In short, he wants an avenue for self-expression, and self-expression can come only through the exercise of responsibility at work and in the control of work, either direct or through representation. Now and then a group of workers in seeking this end desires to assume general control of management, or wishes full control of industry to be exercised by the government of the body politic in which it has representation.

3. The worker demands a *greater share of the product* of industry. Sometimes this demand takes the form of a request for higher wages or for the right to share jointly in profits, and sometimes it finds expression in the desire to have industry operated for the benefit of the workers or the community as a whole. In any case, it arises fundamentally from a feeling of economic pressure, along with the practically universal demand for a better status in life, and from the belief that at least a certain portion of the product of industry is the result of the joint effort without the exercise of which no one would have this portion of the product to enjoy. Over and above all of these, however, is his increasing desire for a proprietary interest in industry after his immediate economic wants are met.

4. The worker desires *improved hours* of work. This

demand arises from the belief, first, that there is a maximum number of hours beyond which the human being in justice to himself and to society should not regularly be required to work, if he is to maintain the greatest productive efficiency; and second, that a reasonable amount of leisure is necessary for the promotion of the higher things in life, which, after all, the worker feels should be the purpose of industry.

5. The worker desires *improved conditions* of work, both physical and psychological. A wholesome working environment, and proper conditions for maintaining health, eliminating accidents and excessive fatigue, and the like, are considered among those things which he feels should obviously be accorded any human being.

6. Reasonable *assurance against unemployment* is considered fundamental by the worker in order first of all to insure him against inability to meet the necessities of life, and then to enable him to enjoy the other benefits which he feels he has a right to desire. He wishes this assurance guaranteed through proper regularization of employment and production throughout industry, and through appropriate restriction of arbitrary dismissal of workers from employment.

Failure to satisfy these demands is bringing about more or less acute situations from day to day in industry. They frequently reflect themselves in other problems of labor policy. Organized labor, for example, has been very active with regard to such matters as immigration, women in industry, child labor, and education.

At times these demands may not be clearly defined in the individual worker's mind, but the effect is ever present and governs his beliefs and acts. With any one of these several desires unsatisfied, the worker feels that enjoyment of the others can be of little permanent avail. In fact, it is only through the realization of all that his general desire for a better status in life finds its assurance of realization.

Throughout all, however, he desires no expression of a paternalistic nature on the part of his employer. Above all, he wants to be considered a human being—at work, at play, and in the other pursuits of mankind.

#### CORRELATING THE REQUIREMENTS OF PRODUCTION AND FINANCE WITH THOSE OF LABOR

Along with the demands of the workers there must be considered the *problems of production and finance* which the industry as such must meet. Under the present system of industrial organization the employer has had these responsibilities. These require that, in so far as practicable, maximum production be secured at minimum cost. Too often, however, this cost has been figured on the too narrow basis of the material factors alone without recognition of the cost in human resources. The ultimate identity of interest between employer and worker has been lost sight of, with consequent loss to both. There is, then, the problem of correlating the requirements of production and finance with the reasonable demands of labor on the common basis of mutual interest.

#### OTHER FACTORS

There are also the problems of the *nature of production and distribution or marketing* of the goods for consumption, which become of direct significance in the field of labor administration, affecting as they do productivity in general as well as wage and price levels and conditions of employment for both capital and labor.<sup>1</sup>

Again, there is the problem of *increasing the productive period of life* for the individual. Industry seemingly does not expect the human individual to know anything substantial, except of distinctly secondary types of work, until he is well near 30 years of age. Then he is tolerated a while. Then he is compelled by the force of circumstances to work

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<sup>1</sup>For further discussion of these factors, see Chapter III.



at maximum tension throughout the day and the year until he is about 50 or 60. The usual period of substantial productivity for the individual life in the present industrial system is only 20 to 25 years! Certainly it should be possible to lengthen this period at both ends of life, and thus not only increase the total productivity of the individual for meeting the demands of society, but enable him to get more and longer enjoyment out of life.

There is, furthermore, the problem of *industrial insurance* for the worker. After all means for maintaining the health and activity of the worker have been employed, adequate means for accident, sickness, old age, and death insurance practically applied, should be provided. Sometimes the proposals are extended to include proper provision for unpreventable unemployment. It should be recognized, however, that the ultimate answer on any plan of unemployment insurance is not to insure the unemployed so much as to assure against unemployment. It is a paramount problem of industry in some way to find means to maintain adequate production schedules throughout the year and thus provide sufficient opportunities for employment for everybody who is able to work.

In order to conserve human resources as well as to apply them most effectively in the field of production, it is also necessary to give careful attention to the *supply and distribution of labor* throughout the community. Both shortages and surpluses of labor must be rigorously guarded against. The bread-line and the idle machine are both vicious, for industry as well as for social welfare. Appropriate agencies of distribution for workers, to be used throughout industry, must be established in order to articulate properly the need for and the supply of labor.

It is also necessary to consider the problem of *immigration*. Immigration is significant not only in relation to the extent of the labor supply, but also with regard to its effect on standards of living, wage levels, education, and ideals of industrial and political organization and control.



Other questions of paramount importance are the place of *women in industry* and *child labor*. The problem of the working woman involves the principle of equal rights under equal conditions, as well as the question of appropriate occupational pursuits to meet sex differences. Industry, too, is still confronted with the problem of properly defining the limits of and regulating the labor of children.

It is apparent that these problems are not the problems of any single group in industry. They are the problems of all—employer, worker, and the community as a whole—for their interests and their obligations are mutual. It is equally true, moreover, that in many cases neither of these groups in industrial society is in a position to adapt itself quickly and with the greatest benefit to the changes necessary to a workable solution of the many problems involved. It is necessary that each and every person inform himself of the requirements and opportunities of these several factors of readjustment in relation to his place in industry and in the community.

#### THE NEED FOR EDUCATION

There is, then, a further and pressing problem of *education*. The worker needs to have information regarding the facts of sound business enterprise and to prepare himself to assume his share of the responsibility or control of industry effectively. He also wishes opportunity to develop his standards of living and of culture appropriately. These requirements are over and above the need for technical training for increased skill in the given occupations. On the other hand, the employer needs to acquaint himself with the psychology of the worker—his natural feelings and desires, and the requirements for his most productive effort properly safeguarded. Each needs to educate himself into the confidence of the other. The success of any program of industrial readjustment will rest to a large extent upon a sympathetic and intelligent attitude on the part of all toward each other as well as toward such a program and the

social order as a whole. Education for citizenship and for a high sense of social service is essential for all.

### THE PROBLEM OF CONTROL

The task of meeting these demands requires the most careful thought in adjusting the organization and methods of conducting industry. This involves the big problem of *control* as such. Capital and labor must find a way for joint dealing in handling matters of mutual interest that will foster cooperation instead of breeding conflict. Upon a workable plan for the cooperative control of industry in each instance depends in turn the satisfactory accomplishment of the other aims in labor administration. Capital, labor, and the community as a whole must recognize their mutuality of interest. Cooperation, of course, does **not** always mean agreement, but it means willingness to work together for the common purpose with sympathetic realization of the interests of all concerned; and even when the interests between specific groups of individuals do vary in their more immediate aspects, it must be recognized that fair dealing in handling these matters makes for ultimate gain to all.

Any plan of administration to effect such control of labor relations requires that proper distinction be made between local and, as may seem expedient for the various interests involved, community and national fields of jurisdiction. It also requires that appropriate distinction be made between private and state or other governmental agencies of control within these several fields of jurisdiction.

Those questions that are of local significance within a given plant or industry permit of less complex and usually more direct machinery for handling them than do those of wider importance that affect various communities or industries. Today industry presents illustrations of movements making toward all of these fields and agencies of control.

The individual plant of course must have proper and ade-

quate administrative machinery to put into effect practical plans for carrying out the appropriate lines of activity on labor relations within the plant. Experience shows that the administration of the employment and well-being of labor must be recognized as a distinct and important, though interrelated, function of management. Such administration is imperative in effecting to any substantial degree the various phases of any labor program that may be adopted, and therefore it should be accorded its proper place in the executive organization of the individual plant or industrial unit.

Industry as a whole, however, is now confronted with the task of determining the proper jurisdiction and methods of organization for handling these matters. It must decide to what extent its every-day philosophy in regard to these measures shall represent *a growth from the bottom up*, proceeding from the individual plant or industry to the general field of industrial activity as a process of education and inner development, as opposed to the extent to which it shall rely on legislation and compulsion to effect these ends. It must also consider how far joint management shall extend beyond matters relating merely to terms of employment and working conditions within the plant to matters affecting the general control of the business enterprise.

Fundamentally, the problems of labor relations are not confined within the walls of a single plant or industry. They usually affect the industrial order at large. For example, high or low wages in one plant or industry influence the wages and conditions of labor supply of other industries. It is essential to consider the effect upon industry and society as a whole of plant policies and conditions of work affecting labor, for only in this way can their full effect be gaged. This does not minimize the necessity of considering the proper requirements of individual plants, of particular industries, and of given localities, but these of themselves give only a partial view. Again, the influence of general economic conditions and of general social standards upon labor must also be taken into account in evaluating labor's

terms and conditions of employment in particular cases.

In the most general sense, the efficient administration of labor relations depends upon the operation of two underlying forces. These are the economic limitations and possibilities, on the one hand, and the human factors on the other. The two succeeding chapters will therefore consider the more important aspects of these forces.

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### III

## FUNDAMENTAL ECONOMIC CONSIDERATIONS<sup>1</sup>

Meeting the economic needs of mankind. Principles to be considered. The problem of production and the nature of production. Marketing. Division of earnings in industry. Effect of production on human resources. The place of capital. The place of labor. Real wages and money wages. Standards of living. Supply and demand. Labor not a commodity. The public psychology a fundamental factor. Manipulation. The business cycle and labor relations. The labor cycle.

A WORLD-WIDE appeal for increased production, almost universal demands on the part of workers for recognition of fundamental human needs, ever-recurring cycles of wages and prices, and the like, are factors helping to make up the economic complex that awaits solution on the part of modern industry. If society needs greater production and yet it be true that human beings in industry are worn out from overwork at one time and out of work *en masse* at another time, what is the matter? Is it possible to have a more efficient utilization of industrial resources that can also be combined with a greater recognition of human values?

The legitimate economic needs of mankind must be met. Further, there are material conditions and principles affecting the production, distribution, and consumption of wealth whose reasonable requirements must be fulfilled if these economic wants are to be satisfied. These things are necessary in order that men may produce and use wealth effectively. This fact can be accepted as a truism, but it cannot be considered as complete within itself.

At the outset the relative importance of material values and human values must be thoughtfully considered. In

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<sup>1</sup>In this discussion the term "economic" is used to refer to the factors in which the emphasis is placed upon the *material* means of satisfying human wants, as differentiated, for example, from the psychological factors, which refer to human nature as such.



the final analysis, what is usually called wealth is but the material means of satisfying human needs and desires. Production is a *means* and not an *end* in itself. The goal is the conservation of human resources and the general well-being of everybody in society. If each person sacrifices himself to produce for his fellow men, the good becomes fictitious and not real. Sometimes it seems that the industrial philosophy of today is pressing toward this anomalous situation.

#### THE PROBLEM OF PRODUCTION

The first factor of a strictly economic nature for consideration is that of production. While on all sides production is urged, often without further inquiry, as the great need of industry and humanity, there is the outstanding question as to just what society needs, and hence just what should be produced. Too frequently consideration has been given to the amount of production only.

The point for emphasis here is that the amount of production by itself does not tell the whole story nor even the most important part of the story. Production cannot be considered aside from: (1) the question of the *nature* of production—whether *appropriate* things are being produced, (2) the problem of the distribution or *marketing* of the goods produced, (3) the problem of the *division of the wealth* created through production, (4) the problem of the *effect of production* itself upon *human resources* in the productive processes.

#### THE NATURE OF PRODUCTION

The trouble is that these issues, thoughtlessly or otherwise, have become beclouded in the development of an impersonal industrial system. The fact that a certain industry exists or a given type of goods is on the market does not of itself argue for a continuance of their production, to say nothing of an increase in their production. Industry



must first produce, in the main, *fundamental utilities* and not burden society with the *accessories* or luxuries. The latter have their place, but they should take their turn. Emphasis on production of the fundamentals would not only give employment to capital and create the wealth necessary to maintain healthy wage levels for workers, but would also give a greater supply of the goods required to meet the necessities of life and thus tend to lower prices.

Just what are fundamental and what are accessory utilities it is often difficult to determine. However, the period of post-war economic depression points the way, through the high degree of discrimination exercised by the buying public, for a partial solution of the difficulty. In classing a product as fundamental or accessory it is usually a question of emphasis, but sometimes it is one of exclusion.

An example of the exclusion of an adjudged non-essential today is found in the legal abolition of the liquor industry in America. Certain war industries recently necessary for a time are no longer pursued on an extensive scale under peace conditions. Less intensive pursuit of other industries and of modifications within industries, such, for example, as too frequent changes of style in hats or coat lapels or other articles of dress, might well be effected. Standardized specifications of materials limiting the number of types used, as for bricks in the building industry, is an instance of economy already being effected. Similar economies have been effected for other building materials.

The rapid expansion of the automobile and rubber industries today furnishes a basis of inquiry as to whether the development of many enterprises in these fields has proceeded along sound economic lines either for the individual concerns or for society as a whole. It is well known that overexpansion of facilities and of capital in given lines sometimes occurs. Adaptation of production to need is not always carefully planned. Wage levels and the employment of capital and labor throughout the community in general are directly affected by such business pursuits and practices.

## MARKETING

There is great loss of money and effort in marketing the product. The industrial order of today is highly commercialized. It has proceeded to pyramid organization upon organization to market goods. A salesman for a New England product for delivery in Indiana and a salesman of an Indiana product of like kind for delivery in New England pass each other at Buffalo on their way to each other's respective home communities to sell their wares. This is just one illustration of possible duplication of effort. It does not argue for elimination of competition in marketing, but for the intelligent coordination of marketing activities.

The consequent increase in prices of the finished product over and above the price of raw material and cost of production is often difficult to understand, and particularly so for one who happens to help produce the raw material or finished product and who later finds need for the marketed commodity at its exaggerated price. Certainly this state of affairs, justified or unjustified, is a major source of labor dissatisfaction today. And it is becoming more and more a matter of general public protest. Along these lines, the Joint Committee of the Sixty-Seventh Congress on Marketing and Distribution, in its report of October 15, 1921, said: "We have now reached a point where it costs more to distribute and serve than it costs to produce. Commodity values are lost in a maze of service costs, and the time has come for a consideration of the fundamental problems of the economic distribution of the absolute essentials."

Recognizing that the marketing of goods is necessary and that reasonable competition in the process is desirable, how can society eliminate the lost motion and excess cost that too frequently arise in the huge middleman's organizations which have sprung up under the present system of distribution?

Effective cooperation among producers in a given field, on the one hand, and between producers and consumers, on

the other, with a minimum of expense and labor in the process of marketing, rather than monopoly of trade or super-commercialization of industry, are among the general principles to be employed in securing the desired results. The substantial price that the American public has paid frequently for the marketing of its passenger automobiles, for example, again raises the question as to whether much of the money and effort thus spent could not be more advantageously employed if diverted to the production of actual goods in the same line or in other lines.

Such employment of the proper money would help to increase production, when desirable, as well as to relieve workers in other industries from the long hours of toil which industry now frequently demands of them to supply the world's apparent needs. In the light of past commercial practices, whether or not free economic competition throughout would bring the desired results remains an open question. Undoubtedly, the pressure of a positive public opinion demanding bottom prices is also necessary.<sup>1</sup>

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<sup>1</sup>In this connection a report of the Federal Trade Commission, published in the New York *Evening Post*, April 18, 1921, is significant. In part, it said:

Legislation to eliminate unnecessary brokerage transactions, to facilitate a wide distribution of information regarding market conditions, and to strengthen the powers of the Federal Government in its price investigations is recommended by the Federal Trade Commission in a report on the general industrial situation drawn up at the request of President Harding and made public last night at the White House. "Open price associations," which operate within the law to keep their respective members advised confidentially of one another's price schedules are accused by the commission of contributing to the maintenance of unduly high retail prices. The commission suggests that means must be found to reduce costs of necessities, such as fuel and housing, before other commodities can come back to normal.

Declaring that the cost of commodities to the consumer has not, broadly speaking, been reduced in proper proportion to the decline in agricultural and other raw materials, the commission sets forth its belief that "in general, it would appear that the movement toward the reduction of prices to the consumer is retarded chiefly at the retailing stage, and that relief at this point would be reflected back in increased production, which would reduce the production cost and relieve to some extent, at least, the check upon the manufacturer, and by increasing the demand for raw materials would react upon the producer."

The general causes of price inequalities are summed up as follows:

"Excessive price of many basic commodities, prominent among which is coal; the existence of typical corporate monopolies, and agreements in violation of the anti-trust laws; open price associations, tending to bring about and maintain unduly high prices; interference with channels of trade by distributors' trade associations.

"Aside from the remedies which may be afforded by improved transportation and credit facilities," the report concludes, "we suggest the following:

"1. Passage of a bill which will meet judicial objections to the authority of this commission to continue its efforts to obtain and publish information respecting the ownership, production, distribution, cost, sales, and profits in the basic industries

With the idea of combating the high degree of commercialization and its attendant wastes, various cooperative organizations of producers and consumers and among labor organizations themselves have sprung up. These movements, although in a general way still in their infancy, include plans for dealing not only with the problems of marketing as such, but also with those of production and finance.<sup>1</sup>

The significance of these movements for bringing the producer and consumer closer together lies not so much in their particular aims or the form of organization that they may assume, but in their relation to the present system of marketing and distribution, and the possibilities which they offer for sound cooperative relationships between producer and consumer in the future.

The chief problem regarding the whole matter of marketing the product of industry becomes in reality one of relative values in working out the coordination and conservation of effort on the part of those who perform this particular function in society. The question is, cannot some of the money and effort expended in the marketing of goods be more

more directly affecting the necessities of life—shelter, clothing, food, and fuel—for the information of Congress and the promotion of the public welfare.

"2. Vigorous prosecutions under the anti-trust laws, including a closer scrutiny of the so-called open price associations, to ascertain whether under the guise of beneficial associations they are in fact violating the law. Examination of associations of distributors to determine whether violations of law exist, particularly of cooperative purchases.

"3. Positive encouragement of cooperative associations of agricultural producers and of cooperative consumers' organizations.

"4. Passage of measures aiming at the elimination of unnecessary reconignment and brokerage operations, including, also, gambling in futures.

"5. Calling a conference of official representatives of the trading nations of the world to consider the question of clearing the channels of international trade so as to eliminate undesirable combinations and to promote fair competition.

"6. Protection of the farmer by extending federal assistance in giving more adequate and timely information concerning foreign and domestic market conditions and in affording more ample and suitable local market and storage facilities for the serviceable conservation of perishable farm products."

<sup>1</sup>Witness, for example, the cooperative marketing organizations among fruit growers, cotton raisers, and tobacco growers; the efforts being made to bring wheat growers together in the same manner; the cooperative banks established by labor unions for control by workers of their own credit as well as general banking activities; the ventures into the field of production by labor unions, especially within the clothing industry in this country, and by workers' guilds in England; and the early development of the Rochdale and other cooperative systems in Europe. In some countries governmental assistance is given directly in financing such enterprises.



wisely invested in the production of more goods of the right kind or in making possible better standards of living among the workers, through higher wage levels or in directly lowering the prices of the finished product to the consumer?

In doing this, proper balance must be maintained between marketing and production. Production must not be made the victim of the vagaries of haphazard sales. Reasonably stabilized schedules, based upon standard estimates and having appropriate flexibility to meet uncontrollable or necessary changes in conditions, must be set up. This, in turn, can be effective only if the demands which sales put upon production are governed by a normal and healthy demand on the part of the consumer. Sales efforts should recognize need, and should stimulate demand where need exists. Induced demand, however, where no need exists, is undesirable.

#### DIVISION OF EARNINGS IN INDUSTRY

The third general factor of direct economic significance in labor relations is that of the division of earnings in industry, or the sharing of the wealth produced. This question must be approached, if any comprehensive solution of it is arrived at, with three points constantly in mind.

1. What relation does it bear to the problem of the *necessities of life for all members of society*? This question is the most pressing one, though it is often not given due consideration in determining the actual division of earnings. It may be asserted as a fundamental principle that no industry has a right to exist permanently which either cannot make enough by itself or be so coordinated with other industries as to provide means for a decent living for its workers. The problem of the division of earnings in industry, therefore, involves the question of the regularity of production on a stable basis and of the living wage.

2. *The solidarity of the business enterprise itself* must be

protected. If the enterprise prospers, it, as well as the workers, must have a living wage. Just what this living wage for capital is in any given case depends upon the circumstances surrounding it.

3. If the division of the earnings of industry provides both for the reasonable economic requirements of labor and for the requirements of the enterprise itself, there still remains the question as to when capital *per se* attains its legitimate reward and when labor *as such* attains its legitimate share, and in addition, the question of what the remuneration should be in return for the *cooperation* that each gives to the other, as well as how the division of this remuneration should take place. In other words, there is involved the question of *equity*, as well as the question of *economic pressure*. As yet industry has not properly evolved and articulated its relations with the entrepreneur, management proper, labor as such, and the general organized public.

To arrive at any workable solution of this question, it is necessary to go back to a careful analysis of what each active agent in production contributes to the productive process. These active agents are:

1. The entrepreneur, otherwise referred to as the promoter or owner, or in the impersonal and generic sense, as capital.

2. Management proper, employed by capital, and sometimes comprised by the same parties that control capital.

3. Labor as such, or those who work for number (1) under the immediate direction of number (2).

4. The organized social order, or society, which furnishes the medium through which numbers (1), (2), and (3) work and which protects them in their enterprise.

It is apparent that *the productive process is essentially a cooperative undertaking*, involving both the direct and indirect participation of all these four agents. On the basis of



equity, therefore, each of these agents should receive a proper reward not only for its individual efforts as such, but also for its *cooperative participation* in the enterprise. It is apparent, of course, that these several agents may render different degrees of service and run different degrees of risk in any particular undertaking; and it therefore does not necessarily follow, as is often contended, that the division of earnings among these several agents of production should be equal. The problem is not one of *equal* distribution of wealth, but one of the *equitable* distribution of wealth in each case according to the services rendered by each of the agents involved.<sup>1</sup>

In considering the problem of division of earnings in industry, the point is sometimes made that if all the wealth which is characterized as capital were divided among all the people in the country there would not be enough to make the amount received by each person appreciable. This point is often used as an argument against the feasibility of industry arranging for a different method for the distribution of its earnings among wage-earners.

Discussions of this question usually proceed on the fallacious assumption that the problem is one of equal distribution of wealth among all people rather than one of the equitable distribution of wealth. In the first place, the equitable distribution of the earnings of industry depends upon numerous factors, as indicated in the earlier part of this discussion. Second, a fair consideration of distribution of the earnings of industry does not necessitate doing away with private capital. Wage-earners may become stockholders or owners, and in the proper sense of the term, "capitalists," without jeopardizing the proper employment of capital. Third, the legitimate investment of capital must

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<sup>1</sup>For further discussion of these principles and of their specific application to the problem of the division of earnings in industry, see Chapters XIII and XIV.

It is not the intention here to discuss the extent or form in which organized society should receive its share from production, as such points are beyond the scope of this volume.

be considered, in that it affects the amount of earnings of industry in general as well as the earnings of the wage workers. In this connection, again, the relation of fundamental utilities and secondary utilities must be recognized, as these factors affect the relation of money wages to real wages, or purchasing power. Fourth, the theory sometimes put forward, that all that the worker wants is more money, fails to recognize that from the economic standpoint he also desires to develop a sense of proprietorship and self-direction with a fair share of control in the employment of capital. Finally, the question is not primarily one involving the redistribution of present wealth; it involves the distribution of new wealth which may be created and which can be distributed in such manner as the principles of equity warrant. In addition to the economic factors, the psychological effect of any maldistribution of the earnings of industry upon the wage-earner must also be considered. Knowledge of unfair distribution may produce suspicion or even actual conflict, irrespective of the amount of money which the worker feels he may be entitled to or deprived of, resulting in loss of production and absence of good-will.

#### THE EFFECT OF PRODUCTION UPON HUMAN RESOURCES

The effect of production itself upon human resources in the productive processes is a problem of the greatest consequence in modern industry. There is a point at which labor reaches its greatest efficiency or utility. Long hours of work, excessive speed at work, and injurious types of work lessen the productive capacities of the worker. Production cannot be increased beyond this point without definite loss. This loss is, in the first instance, an economic one, measurable in terms of dollars and cents in lost production. In other words, *there is a point of marginal utility for labor beyond which diminishing returns exist*. In the second instance, the loss is a social one, through prevention of the reasonable enjoyment of leisure and promotion of culture.

It must be remembered that the producers are also the consumers. If they spend all of their active time or effort producing, they have no reasonable opportunity to participate in the consumption of the goods which have been produced or to enjoy the benefits to be derived therefrom. The economic waste alone arising from these sources presents today a serious problem still awaiting solution.<sup>1</sup>

#### OTHER FACTORS

*The place of capital.* Another factor of general economic significance, and one on which there seem to be many varying opinions, is the question of the place of *capital* in the modern productive enterprise. It has been pointed out that the present industrial order is a highly capitalized one. Increased capital properly employed increases the amount and variety of production and makes possible cheaper goods and greater earnings to be shared by all. It also makes possible new enterprises on an extensive scale.

There are further considerations, however, which must be taken into account: (1) whether capital is properly employed, that is, whether it is invested in the kind of things that should be produced; (2) whether in the division of earnings in industry it is held and managed always by proper and efficient parties; (3) whether the employment of additional capital in any given instance meets a real need; (4) whether increased production resulting from increased employment of capital is used to hold down money wages by presenting a fictitious increase of purchasing power or real wages, without proper regard to the sharing of this increased production by the parties in industry; (5) whether it should be left solely to mechanistic economic law to adjust all matters equitably and to right wrongs, if such have prevailed, and to return to the worker that which at the outset is equitably his but which has been withheld

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<sup>1</sup>For discussion of hours of work in industry, see Chapter XV.

from him in order that it might be placed to the credit of increased capital.

It would seem to the present writer that the principle of equity comes first. No one has a right to withhold what belongs to another merely for the sake of additional investment, even though this additional investment results in good. It is not justifiable, simply for the purpose of reinvestment, to withhold from workers what may rightfully belong to them; for labor can own wealth and reinvest it in business just as anybody else does. In fact, the resulting wider distribution of wealth is highly desirable. It is important also to remember that there are in operation fundamental factors besides mere economic law, and that even economic law, through manipulation, may not at times be allowed to take its natural course. Furthermore, in this connection psychological factors which are always at work must be reckoned with. Men produce best when they have reason to feel that right prevails.

Another issue sometimes raised in connection with the part which capital plays in production is the relation of high-cost and low-cost producers. The large-scale low-cost producer without doubt performs highly acceptable services to society, if his industry is properly conducted. But here again it is necessary to recall the psychological element—the human equation in industry. Large-scale industry must not only *not* develop into monopoly of trade; it must *not* stifle individual enterprise and reasonable freedom of undertaking in business on the part of the small producer. Furthermore, the advantages of large-scale production, justifiable within themselves, cannot justify the withholding of what may rightfully belong to other agents in production.

*The place of labor.* It is axiomatic that labor, like capital, is an indispensable agent in the production of goods. From the material point of view, there must be sufficient regularity and amount of labor to produce the necessary goods. Other things being equal, the greater the produc-

tion or supply of goods, the lower the price; and the greater the production required, the greater is the opportunity for employment and returns to labor in the form of wages.

At the same time, labor is not the sole agent in production and it cannot, acting merely in the capacity of labor, operate industry by itself. Whether or not all wealth, including capital, has come ultimately from labor in some form or other, is purely a theoretical question. In the development of civilization capital and labor have become separate and distinct, though cooperating, agents, and must be rewarded accordingly. It is therefore necessary to recognize that labor is not entitled, just as capital is not entitled, to all of the returns from industry. All of the agents of production must be properly compensated for the services that they perform.

*Real wages and money wages.* An important consideration is the relation of *real wages* and *money wages*, or the relation of purchasing power to what is usually thought of as wages. There may be an increased money wage and at the same time lower real wages, caused by an increase in commodity prices or in the cost of living which is greater than the rise in money wages. Likewise, in a period of declining prices there may be a lowering of the money wage with an increase in the real wage. Also, an increase in wages, or remuneration, may form a part of the rise in prices of goods through increasing the cost of production, which, in turn, is added to the price of the finished product. Thus industry often presents the vicious circle of wages and prices each trying to catch up with the other. Consideration of this problem involves the related problems of the cost of living and standards of living.

*Standards of living.* Standards of living are an important factor in determining the cost of living for the individual and hence of the community affected. The standard of living determines for each person what he uses and,



hence, what he buys. The determination of the proper relation between money wages and real wages in any given instance is therefore directly influenced by the standards of living of the people affected. A major consideration in this connection, and one which is often neglected, is the necessity of ever increasing the standards of living, thus ever raising the levels of consumption. If the race is to progress, it must not just break even on income and cost of living for the worker as based on fixed levels of consumption. It must constantly develop to higher and higher levels.

Numerous factors operate to increase the cost of living. Among the more important are the following: (1) greater relative volume of money and credits, (2) lessened production, especially of essentials either through reduced operations or lessened productivity of labor, (3) increased cost of materials and equipment of production, (4) increasing wages, (5) increased cost of marketing, (6) monopolistic control, interfering with the operation of free economic competition, (7) profiteering, (8) excessive speculation, (9) increased taxation, (10) inefficient management, (11) and desirable increases in standards of living. Many of these, of course, may be variously interrelated and often are conditioned upon each other. At times, also, they would appear to be partly the effect as well as cause of rising prices.

*Supply and demand.* Another general principle is that of the economic law of supply and demand. In this instance the application of this law to the factors of the supply of labor, and of wages is of particular interest. Linked up with it, also, is the theory that labor is a commodity. In combination, these theories may be referred to as the commodity and supply-demand theory of wages.<sup>1</sup>

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<sup>1</sup>As typically illustrative of the application of this theory, the following excerpt from the *Iron Trade Review*, January 16, 1919, is given:

The war being over, it is the universal expectation that prices will go down, but there is a wide-spread belief that the price-cutting period which usually follows an extreme wave of activity will not characterize the present readjustment. This belief is based on the knowledge that selling prices in most cases are not very far above



*Labor not a commodity.* It is quite true that the factors of supply and demand of labor operate to influence wages. It is also true that from the standpoint of the physical effort that is applied as one of the forces in production, labor furnishes what may be thought of, up to a point, as a commodity. But unlike the commodities of production, labor as a human being and labor as the furnisher of the physical force that is applied to production by human beings are inseparable, belonging to the same being. They are indivisible. It is simply a question, therefore, as to whether the human values or the physical values of this being shall be considered the more important by industry. Any other view-point presents a mechanistic theory of life and of the purposes of industry.

The answer should be apparent. Industry should be adjusted to the needs of humanity and not humanity to the material needs of industry. If, for example, there is at any time a greater supply of labor in a given community than the industries of that community require, this fact should be no reason for the labor that is employed receiving other than what is an equitable wage. Likewise, the same principle should prevail when there is a scarcity of labor. The sooner all parties in industry recognize that over and above the materialistic forces of supply and demand there exist the more fundamental principles of equity and human values, the sooner will industry find itself in a position to prosper permanently on both an economic and a social basis.

(Footnote continued from page 35)

cost now and that they cannot be reduced unless the most important single item, labor, is reduced. In many responsible quarters the opinion is held that labor cannot be reduced at this time due to the high cost of living.

As a matter of fact, despite President Wilson's denial a few years ago that labor is a commodity, the price of labor is determined like that of any other commodity. It is true that wages and the cost of living generally bear a proper relation to each other. This is a part of the general economic law. But it is not the cost of living that determines the price of labor. Wages usually are determined by conditions of supply and demand. When there are more men available than jobs, and there is overproduction, labor must accept the lower wages which employers can afford to pay. When labor is scarce and the supply of finished products inadequate to demands, the employer has no choice but to pay wages which the men are empowered to demand. The labor end of the present readjustment, therefore, and the trend of prices in the future will be determined largely by the scarcity or superabundance of workmen, and manufacturers will be able to draw pretty accurate conclusions based on observations of the relation of supply to demand in the labor market.

## THE PUBLIC PSYCHOLOGY A FUNDAMENTAL FACTOR

The economic factors of supply and demand themselves are directly determined as to the degree of their expression at any given time by the *mental attitude* of the people who use the commodities in question. Demand is caused by desire. Without demand there is no need for supply. The relation of demand and supply is therefore determined fundamentally by desire. The determining factor in this respect is a *psychological* one—desire or the mental attitude of the people concerned. The mere economic factors of supply and demand, or of costs, important as they are when they once begin to operate, are of themselves secondary both as to cause and as to time of appearance. Industry and humanity need to recognize this fact and apply it concretely, and not to allow themselves to be buffeted to and fro by the so-called immutable laws of supply and demand without inquiring into the causes and ascertaining *what desires prompt demand*. It is a proverbial saying that the strongest bank in the world, aside from deposits not subject to immediate withdrawals, could be made to fail almost in a day by the sudden outburst of an unfavorable attitude towards it by its depositors. The marked decline in buying on the part of the public during a period of general business depression, even by those who have the money with which to buy, is another illustration of the effect of the public psychology upon economic factors. The immediate reason for the fall of prices in clothing in 1921, for example, was that demand fell below supply. The ultimate reason was the psychology of the consumer which prompted him to say in no uncertain terms, "I will not buy anything except absolute necessities until prices go down."

It is not the intention here to suggest that the mental attitude of a people or group of people can always be made to control the workings of supply and demand, but it is the desire to emphasize the fact that what may appear to be the unchangeable workings of supply and demand need not

go unchallenged or unregulated. Both forces—the economic and the psychological—operate.

Again, the so-called law of supply and demand as it affects labor does not always operate freely. Personal manipulation of the production and supply of goods, and other interferences with the normal relations of demand and supply, sometimes occur. Such manipulation, although it may appear to bring immediate returns in certain ways, sooner or later through the maladjustment that occurs as a result of its operation, makes for increased burdens upon the community and industry as well as upon the particular individuals directly affected if they continue active in business.

#### THE BUSINESS CYCLE AND LABOR RELATIONS

The fact of the business cycle is coming to be generally recognized. The peaks and valleys in business in their full swing, now commonly called "business cycles," have for a long time been more or less apparent, but too frequently only in a reminiscent and regretful way.

"'Business cycles' is merely a vivid term," says Wesley C. Mitchell, "for this recurrent ebb and flow of business activity which past experience has taught the wary to expect. Depressions pave the way for business revivals, revivals develop into 'booms,' booms breed crises, and crises run out into depressions. A tolerably regular repetition of such cycles can be traced in American experience for at least a century. Similar cycles run their round in all countries of highly developed business organization."<sup>1</sup>

It does not follow, however, that the alternate rise and fall from business ecstasy to business despondency cannot be ameliorated. It is in part psychological. "It is an expression of alternate 'nerves' or depression on the part of the body economic which would function more efficiently

<sup>1</sup>Mitchell, Wesley C., "Business Cycles," *New York Evening Post*, 1921, p. 5.

and more comfortably if it could maintain its composure."<sup>1</sup> Again, "belief—human psychology—is the animating force of the business cycle. Men always believe that prices are either going up or going down, and act on their belief. So long as the community believes prices are going higher, business is brisk. Conversely, when the belief prevails that prices are going to be lower, business is poor. Between these two states of mind, and the periods that they produce, we have usually a 'twilight zone' of hesitation—the twilight period at the base of declining prices being usually longer than at the top of an advancing market, when men are apt quickly to change their position to 'get from under.'"<sup>2</sup>

Recent years have brought to light the ability to forecast, with a degree of accuracy that was thought impossible, the trends in the rise and fall of business conditions. Now it is recognized that with proper information and action they can be modified to a very fair degree, and in many cases at least usually foretold by the far-sighted business man. Thus, whether or not the unwholesome booms and depressions can be substantially eliminated, at least, when adequate information is available, the pitfalls can be more readily avoided. In addition, reliable information as to future requirements of the component elements of industry permits greater certainty of operations with consequently less risk of loss on the part of all the agents in industry. But the tendency toward a marked rise and fall persists, and marked business fluctuations occur with more or less regularity.

What does the existence of business cycles mean in the control of labor relations? First, there is need for adequate facts regarding their causes and extent. This information is needed in lessening and controlling as far as possible the evil fluctuations and then in forecasting as definitely as can be determined the fluctuations that cannot be eliminated. Forecasts, however, are difficult and uncertain because of the psychological as well as the economic causes lying back

<sup>1</sup>Kemmerer, E. W., *ibid.*, p. 14.

<sup>2</sup>Rovensky, J. E., *ibid.*, p. 24.

of the cycles themselves. The use of forecasts requires caution, in sensing the varying changes that may occur.

In the second place, the effect of business cycles upon labor relations must be recognized if intelligent planning regarding them is to be gained. Irregular employment and unemployment through the lack of opportunity for productive effort on the part of both capital and labor cause enormous waste to society as well as to the active agents in production. As the Committee on Industrial Waste of the Federated Engineering Societies pointed out, the largest area of waste falls within the periods of slack production and actual unemployment arising from the ebb and flow of economic tides between booms and depressions.

Business cycles are also accompanied by rise and fall in money wages with a tendency toward marked variations in real wages themselves. These conditions bring disastrous results in wage inequalities, sometimes for labor and sometimes for capital, and provide a constant source of irritation and conflict between capital and labor.

In addition to these fluctuations in rates of wages and in the purchasing power of wages with their attendant evils, there are recurrent changes in the relative bargaining power between capital and labor. Periods of prosperity and pronounced business activity, with their relative greater demands for the services of labor, bring greater bargaining power for labor. Likewise, periods of depression and business inactivity give greater relative bargaining power to capital. These fluctuations in what may be termed the labor cycle, falling within the general business cycle, are reflected in the extent of labor union membership as well as in rates of wages.

If the foregoing facts be true, a conclusion of fundamental significance in the management of industry as affecting labor relations is axiomatic, although it has seldom been recognized or followed. This conclusion is that stern economic necessity, aside from any psychological or ethical justifications, demands the adoption of long-range policies



on the part of both capital and labor in their dealings with each other, which will recognize the inevitable rise and fall in the relative bargaining power between them and the wastes accruing from short-sighted and uneconomic use of the temporary advantage that either may have at any given time. The only sound principle is one that will make for reasonable stabilization of the fundamental conditions governing their relations, with leeway for proper readjustment of specific terms and conditions from time to time.<sup>1</sup>

<sup>1</sup>For general discussion of factors governing division of earnings between capital and labor in industry, see Chapters XIII and XIV.

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## IV

### THE PSYCHOLOGY OF THE WORKER<sup>1</sup>

The worker as a member of his social group and as an individual. Characteristics of the social group. Relation of the individual to society. The socializing forces: (1) primary or non-institutional; (2) institutional; (3) individualistic. The social and the individual traits supplement each other. Adequate expression for these human traits in industry.

It is in such a vast interplay of forces as those sketched in the previous chapters that the individual worker finds himself today. Has or has not industry too often placed him in an artificial environment which hampers the normal expression of human nature and affects his productivity and his attitude toward things in general? If it has, in what way has this occurred, and how can it be remedied, for certainly no industrial system or social order can permanently prosper if it ignores fundamental human traits?

At the outset it must be recognized that for the worker the general *social group* in which he finds himself is largely *his world*. What he means to the world and what the world means to him can be measured substantially by that group. To the West-Virginia miner the social group and the world are one thing; to the coal operator with an office on Broadway they are another. Either or both, of course, may be perfectly justified, but the effect is different.

A consideration of human nature in industry must deal with the worker as a member of the social group in which he lives as well as with him as an individual. It is in order, therefore, to call to mind some of the more salient characteristics of the social group as such from the psychological

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<sup>1</sup>The present chapter deals with general principles as to the expression of human nature in industry. Such particular topics as the nature of fatigue and its relation to productivity and conditions of work and health, and the psychology of personal analysis are discussed in the appropriate chapters.

point of view, and then to point out how the normal human being acts as an individual in his social group.

#### THE SOCIAL GROUP—ITS CHARACTERISTICS

1. First and most important, the *social group is essentially mental in nature*—that is, it is based upon the *meeting of the minds* of the people who constitute it. It not only develops out of, but progresses through, this interaction of mind upon mind. It is also through such activity that the individual himself becomes acquainted with his environment and comes into agreement with his fellow men. In these relationships *purposive intellect*, or the *thought process*, is necessary. Otherwise progress can come only through chance variation or blind following, and neither constructive leadership nor intelligent acceptance of that leadership can exist.

To what extent does modern industry recognize this intellectual basis of society? It seems fair to say that the conduct of industry today is such generally that it does not take cognizance of this fact nor does it permit the worker to give full or even reasonable expression to his intellectual life. The high degree of specialization of work in industry with its monotonous effect, together with the difficulties and losses involved in changing occupations, is a case in point. When this is considered along with the fact that the average worker has little opportunity to become acquainted with the general facts of production outside of his own restricted sphere of operations, with the fact that he has little or no voice in the conduct of affairs pertaining to his conditions of work or to the management of business, and with the fact that he is without opportunity to exercise other responsibility in the shop outside of his individual job, the retarding effect upon personal development and social well-being becomes obvious in so far as these factors themselves are concerned.

2. *Mental processes, in their broad sense, are fundamentally the same in all normal people.* They contain the elements of feeling, instinct, ambition, emotion, purposive intellect, and the like, among the lowest as well as among the highest. These traits tend to express themselves in much the same manner, although not always to the same purpose, in everybody. It is quite true that with the progress of civilization the mental life of a people constantly assumes a higher degree of complexity and quality, with their various interrelations. But the various forms of human behavior are based upon common mainsprings of action.

Industry, it would seem, has not recognized that the mind of the worker, his feelings, aspirations, and motives are fundamentally the same as those of any other person, and has not given him the opportunity to develop accordingly. The worker cannot be expected to think and to feel as others do unless he has the stimulus and the opportunity to use his mind along the same fundamental lines.

3. Mind is not only fundamentally the same in all normal individuals; *its social characteristics are as natural and as elemental as its individualistic traits.* Man is pre-eminently a social being. His noblest impulses are essentially social. His powers can best be employed and developed in response to the social impulse and the stimulation of his fellows. He wants to associate and must associate with his fellow men. The nobler the practices and ideals of the social group of which he is a part, the higher will be his development.

What, for example, does the social group of the West-Virginia miner offer him for his further development, and what opportunity has he to contribute materially to the welfare of that group? Are his traditions and habits of group life fundamentally the same as those of other people, and can he reasonably be expected from the very nature of this group life to have the same notions about constitutionalized government and other institutions of society as others possess?

4. *The social consciousness of man tends to express itself among all peoples according to the same general laws.* It is true that certain factors are predominant at one time and certain other factors at another time among the same people, both for the individual as well as for the group; but at basis the principles of social control are, for practical purposes, at all times constant. The universal desire for social prestige, the desire to obtain leadership, the spirit of rivalry and competition in securing things of life, are but simple illustrations that the worker on the job is impelled by the same basic impulses and motives in social control as is the employer. Does the modern employer always recognize these several impulses and motives in dealing with the workers with whom he comes into contact?

5. *The social order is plastic.* It is subject to change, but normally not to change all at once. This plasticity expresses itself in gradual growth—in the evolution through which society progresses. A healthy society is organic in nature. It throws off its waste products and acquires new properties to facilitate the growth process. Such, in fact, is the history of the progress of civilization—the continuous evolution towards an ever-changing and developing ideal, which leads on and on in the constant struggle for new life.

6. *Education* is the great force making for social growth. Governmental control, in which the agents of organized society make laws which the individual is expected to obey, is also an important factor; but the existence of the state always presupposes the *good-will* of the people who comprise it, and without such good-will government becomes oppression, and sooner or later succumbs. Education, functioning informally or acting through the various organized institutions of society, must first produce the good-will before the state social control can become effective. Progress must always come through the *inner activity* of the social group. A type of culture cannot be forced upon the minds

of people who are not ready and willing to receive it; it must, in the final analysis, be a growth from within, a development from the bottom up. External force or compulsion will not make man produce as he will through the compulsion of inward desire.<sup>1</sup> Has or has not the worker the opportunity to become educated adequately regarding the ideals and practices of our political and industrial society?

#### RELATION OF THE INDIVIDUAL AND SOCIETY

1. *What society contributes to the individual.* In this mutual relation between society and the individual, society, it is apparent, supplies several important values to the individual.

(a) It offers a *medium* in which the individual develops. The social order should be made conducive to the highest development of its members. Social conventions determine many of the things which any person shall do. It, for example, gives him his language. But while the standards of life are furnished by society, yet the individual must exercise the power of choice in determining *just what standards* he shall follow. When, for example, the immigrant comes to this country, shall he keep his old language and customs or shall he take on the ways of those with whom he comes to work and live?

(b) Society acts as a *stimulus* to activity. It *energizes* the individual to develop his higher nature and not to be content with merely meeting the pressure of providing food, shelter, and clothing for himself and those who are dependent upon him.

(c) Society provides for the individual a set of *organized* activities already worked out. These constitute a foundation upon which he builds. He accepts those which he

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<sup>1</sup>See Chapters X to XII for discussion of law and of education as means of control in labor administration.



thinks are good and is thus left free to work out others without having to solve again the problems of past civilization. *The product of the race's mind is at his disposal.* He, therefore, must be encouraged to pick out the things of real value in society and build upon those with full recognition of his powers of initiative and individuality.

(d) Society tends to *mold personal conduct*. It sets up certain codes of morality which the individual must either accept or reject. If he rejects them, he becomes a pioneer in building new principles or is condemned by his fellows. One of the greatest functions of the social group is to develop within the individual a sympathetic attitude towards his fellows even though he may not be in agreement with them. At the same time, the power of initiative and of critical intellect must be fostered in order that he may judge the proper modes of conduct to be followed.

2. *What the individual contributes to society.* On the other hand, the individual contributes certain essentials to society.

(a) He makes society possible. All that society gets must first exist in the minds of the people who compose it, in their individual ideals and concepts of life, and in the expression they give to these.

(b) It is ultimately the individual that transmits social values. As to what he shall transmit and what influence it shall have on succeeding generations depends upon his notions about the particular type of culture with which he comes in contact and his attitude towards it.

(c) It is the individual that makes progress possible. Initiative overcomes social stagnation. The scientist, after years of patient and intensive toil in some secluded laboratory, finally produces for the world a formula whose ingredients will cure some dread disease. It is apparent, then, that society must exercise its best efforts to see that its members are so trained that they can tell when and where



progress is needed and utilize the best means for attaining it. Have workers had this opportunity?<sup>1</sup>

3. *The individual and the group must both be considered.* It is the individual *in* society, and *not* the individual *and* society as two separate things, that represents the true concept of these relations. Sometimes it is said that it is the group that must be considered and that the individual does not count—but the individual does count! He is the basic unit of the group. In number he makes the group, and he cannot be sacrificed without injury to the group. An illustration of this vital principle is found in the effect of long hours of arduous labor, the social consequences of which modern industry has finally awakened to after expressing pity so many years for the individual but saying in the same breath that it could not be helped as the good of the community necessitated it.

### THE SOCIALIZING FORCES

Various forces operate *to bring* and *to hold* people together in society. It must not be forgotten that in a stable society people not only come together but stay together. We are too prone to assume that after people come together in any organization everything is then satisfactory. But they often break apart, if not overtly, at least in spirit. When they break apart too violently and on a large scale there is revolution. Some of the milder forms of severing cordial relations are agitation and non-explosive industrial unrest. In any form such occurrences present a serious social problem, if conflict is uppermost.

#### I. PRIMARY OR NON-INSTITUTIONAL SOCIALIZING FORCES

There are many traits within the individual making for

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<sup>1</sup>For further treatment of the relation of the individual and society, see G. H. Betts, *Social Principles of Education*, on which parts of this phase of the discussion are based.

social life. It is not the intention here to suggest any fixed number or classifications of these traits. Such is not possible, for human nature is too complex and too varied to be so limited in its forms of expression. Then, too, varying conditions of environment stimulate different types of action. It is rather the desire to suggest the most basic and obvious factors in human nature itself that will furnish a point of departure for dealing with those forces that make for group control in industry and in related fields of human activity.

(a) *Meeting economic wants.* There is the more strictly economic desire for food-getting and meeting the other material necessities of life. These traits together form one of the most fundamental forces which make for group activity. They represent a phase of the general trait of self-preservation. Man recognizes the value of cooperation with his fellow beings in meeting his economic wants. He thus promotes group life because of the mutual good which arises from it. Cooperation in meeting these needs furnishes the economic basis of various organizations. The complex economic society of today, from the strictly material standpoint, is largely an expansion and development of these traits linked up with the trait of acquisitiveness. Here is one economic explanation of workers' organizations as well as of employers' organizations.

The tendency to meet economic wants is not, however, always socializing in its effect. Scarcity of food, for example, often makes for segregate rather than collective life. War, crime, and other lesser evils may spring from it, particularly when the individual or a particular group become hard pressed in meeting the basic necessities of life. Thus, periods of marked unemployment are accompanied by crime waves. There sometimes develops, therefore, a distinctly anti-social attitude of this trait. One of the greatest problems before industry is the need of so organizing and conducting itself that the individual will have reason-

able opportunity to meet the economic necessities of life without suppressing or stultifying his other traits that make for wholesome personal and social development.

(b) *Desire for home.* The desire for a home with the complete family group is one elemental force making for group life. Its socializing influence extends beyond the family to man's general community activities. In the earlier stages of social organization the family group represented not merely the home, but the school, the church, and the state as well. In addition, it was the economic and industrial unit. While the home does not represent these several institutions today, it is in the family group that the information and ideals about the organized institutions of society are first found and developed and social attitudes initially formed. Industry thus has both an economic and a political interest in helping to maintain a high character of home life both socially and materially, among its workers.

(c) *Sympathy and altruism.* Sympathy and altruism are fundamental traits of social significance. Sympathy refers to the quality of fellow-feeling or mutual interest in one's kind. It tends to express itself in all of the conscious mutual relationships of man with his fellows, and even in those activities that one person may perform through the desire merely to aid another without securing benefit for himself in return.

Along with the feeling of sympathy the altruistic feelings of mankind develop. Altruism, in fact, presupposes a sympathetic attitude on the part of the one who helps others. It is the outward expression of the inward feeling of mutual interest. Sympathy, without altruism, would be barren; altruism, without sympathy, cannot exist. One of the traits present, for example, in the community of effort displayed in getting control of an adequate food supply for the group is altruistic in nature.

(d) *Their misapplication in paternalism.* Sympathy and altruism, however, though proceeding from proper motives, may have anti-social effects. *Paternalism* in modern indus-

try is an outstanding illustration of the misapplication of these high motives. Often an employer through the best of motives gives to his workers and assumes an attitude of absolute direction of their lives, rather than so conducting his business that a worker can secure through his own efforts and direction the things which he may reasonably expect. Paternalism as such fails to recognize the spirit of fellow feeling and to give opportunity for exercise of initiative and responsibility on the part of those to whom it is directed. It not only often fails to operate to hold people together, but militates against cooperation and mutual understanding.

(e) *Imitation*. Another potent force making for social control is imitation. It is the tendency to act as one sees others act. It may function without clear conscious guidance or knowledge on one's part or through conscious guidance and a knowledge of the ends in view. The mob mind is an illustration of the first type; the wilful pursuit of a high ideal lived by another illustrates the second type. The imitative tendency often causes one to follow the line of least resistance.

(f) *Suggestion*. Closely related to the imitative tendency is the influence of suggestion. Imitation refers to the tendency *to act* as another does. Suggestion refers to the *ideas* that are called to one's mind by some one else. The thing that suggests an idea to one's mind may not be the same as the thing suggested. Neither does one necessarily follow the suggestion. But the power thus to influence one's thinking and conduct becomes a powerful means of social control.

(g) *Tradition*. Imitation and suggestion, working together, form the basis of convention which in time becomes tradition, and tradition plays an enormous rôle in society. The force of social habit often controls conduct. Such tradition or custom can function in two distinct ways. It may either retard or facilitate progress. It retards progress when it dominates the life of the people and over-

shadows initiative and individual activity. It furthers progress when it furnishes a reasonable background of the past on which to build for the future.

(h) *Purposive intellect or will.* But over and above the instinctive and habitual aspects of consciousness there is the guidance of purposive intellect. It enables the individual to initiate favorable as well as to inhibit unfavorable action in relation to the other members of his social group and to himself. All normal persons have the power of choice. This may be directed toward the welfare of the group as well as toward the welfare of the individual. The social order in its highest sense is the growth of various concepts of action guided by purposive intellect and will.

(i) *Feeling and emotion.* Certain of the various socializing forces, it is to be noted, express themselves on the lower or habitual level of intelligence, such as subconscious imitation or suggestion, while others express themselves on the higher level of conscious thinking or will. On whichever level man at any given moment expresses himself, however, there is ever present the feeling side of his consciousness. Feeling and emotion are what give value to experience. It is, in fact, feeling and emotion that prompt immediate action. Feeling lies at the very basis of will, and hence, must be recognized in any system of control. Industry should help to develop the higher feelings and emotions and ennoble or substitute others for the lower. Not only has it in general not attempted to develop the constructive, noble, and esthetic feelings of the worker, but it too frequently, up to the present time, has ignored the fact that he has normal feelings at all.

(j) *General social tendency.* Man also possesses a general social instinct or impulse over and above these other and more particular traits that make for social control. The various tendencies and activities of man in their social aspects find their fullest expression as a part of his general social proclivities. They are guided in their most complete



form, of course, by the higher power of purposive intellect. It is his consciousness of mutuality and common good that marks off man from the lower animals. This general tendency is ever present and ready to assert itself under favorable conditions, whatever form of behavior arising from a particular trait may be expressing itself.

The desire to be with and to associate with one's kind is an illustration. What one's kind in any given case may mean depends upon the group with which he comes into contact. Organization loyalty, or the tendency to back up the acts of one's group to the limit, sometimes irrespective of what the group may stand for, is another expression of this general trait that has far-reaching significance. An understanding of this trait offers explanation of the acts of individuals which otherwise seem difficult to explain. To furnish the worker such a physical and social environment that he will have the best possible stimulation, as well as the best opportunity to form the proper habits of living and a wholesome attitude toward society in the expression of his general social tendencies, is among the greatest problems that confront industry today.

## 2. INSTITUTIONAL SOCIALIZING FORCES

Out of the various unorganized socializing forces that are imbedded in human nature develop the organized institutional agencies of social control. In point of origin, therefore, the latter act as secondary forces for the individual. They are the home, the church, the school, and the state. It now appears that industry is stepping in as a separate, though closely related, institution in society. More and more, industry has been assuming an institutional character of its own.

While these institutional forces rest ultimately on the non-institutional forces, being, in fact, but the organized expression of them, yet they represent the highest forms of social control. In fact, there is the tendency to view the



institutions of society as the sole agencies of group control to the exclusion of the more fundamental and primary forces upon which they are based. The institution represents a sanctioned and more or less permanent form of association to which tradition often gives the stamp of approval of the majority. It would seem that modern industry has developed into the stage in which some people claim that because it *is*—*it* is right. Looking toward the various institutions of society as the main objective to be maintained, it too often has ignored the primary claims of individual human nature itself.

Industry must recognize the socializing forces. If it is to be effective in promoting the welfare of the social group or the well-being of the individual himself, industry must proceed on such a basis as to give adequate expression to the primary and individual as well as to the secondary and organized forces of social control.

Society is a complex organism, with various organized and unorganized forces active within it. Its very complexity tends to dwarf the individuals who comprise it. But it must be recognized that each of these forces, while having functions peculiar to itself, is closely related to the others. The problem is to apply under appropriate conditions all the forces of mutual life activity.

### 3. THE INDIVIDUALISTIC TRAITS

The most significant fact about the individual is that, after all, he is *an individual*. He has his own traits, desires, and aspirations. Whatever he may be, it is his individuality, with all that it comprises, that gives him his personal being and identity. If he is worthy, he cherishes and cultivates it. Otherwise he is a mere machine. In fact, the exercise of individuality is necessary in order to promote the higher forms of social activity, for without individuality there can be no leadership or constructive activity in society. But it must be properly expressed.

(a) *Self-assertion and initiative.* The development of individuality takes first of all the form of *self-assertion* or *initiative*. The worker desires opportunity for self-expression in industry, both on the particular job and in the broader phases of industrial activity. Without it he cannot produce effectively or gain satisfaction for himself or do his part in his social group. Growth comes through the exercise of responsibility.

In this connection also it may be recalled that arbitrary or paternalistic control of the worker's efforts represses his creative and self-assertive traits and thus militates against productivity, not to speak of the social good. The normal human being does not want to have everything done or thought out for him; neither does he wish to be compelled through sheer force to do everything that he does. People are most interested in what they do and think for themselves.

(b) *Constructive ability.* A second trait of the individual is *workmanship*, or *constructive ability*. It is that which prompts him to create and to do. The normal person likes to work. If he does not wish to work, it is likely because the conditions under which he is supposed to labor are for some reason unsatisfactory. He also wishes new things to grow out of his labor. When this desire is not present there is something wrong, and it frequently can be traced to conditions surrounding the worker. It is not primarily a question whether labor today wishes to work. It is a question whether industry today is so organized and conducted as to stimulate the worker to want to work and to permit him to work properly.

(c) *Ownership and acquisitiveness.* Again, there is the desire for *ownership* or *possession*. It is closely linked up with the acquisitive trait. But ownership means more than mere getting—it means holding what one has got. Ownership with its sense of proprietorship not only gives a feeling of stability and permanency as to the material things of life,

but through the state of proprietorship the individual comes into a fuller appreciation of the legitimate employment of capital and of duly constituted government itself.

The desire for ownership or possession is a stimulus to workmanship. It is therefore natural that if the worker does not get from his work what he considers a fair return for his labor his *will* to work is lessened. This characteristic of the individual is intimately linked up with the problem of the division of earnings in industry. If productivity is to be maintained and the advantages arising from the proprietary interest is to be secured, the worker must not only get his fair share, but must feel that it is a fair share of the returns of industry.

(d) *Mastery and control.* Another individualistic trait in human nature is the desire for *mastery or control*. It is also social in its effect because it involves the control of others. In its constructive sense it takes the form of leadership. In its destructive sense it takes the form of compulsion or arbitrary control of one's fellows. Industry must give opportunity for the exercise of leadership which not only permits self-expression on the part of the leader but promotes self-expression on the part of those whom he leads.

(e) *Fighting or pugnacity.* A further characteristic of the individual as such is the *fighting tendency*. The normal expression of this tendency arises through the force of necessity, real or imaginary, in meeting the needs of life and in self-protection. From this angle it is thus another phase of the general trait of self-preservation. It is, of course, closely linked up with the trait of self-assertion, and, to a certain extent, is more or less present in the beginning stages of the self-assertive traits. It usually, however, readily succumbs to the cooperative impulse whenever that impulse has a fair chance to express itself.

When, on the other hand, the fighting tendency is once aroused, the individual, spurred on by the apparent force of necessity or emulation, may employ various methods to

attain his ends which he would not under other circumstances resort to. Industry has the problem of determining and putting into effect what is fair for the worker and then getting him to recognize it without his being impelled into the belief or assuming the attitude that force is necessary to reach these ends. Otherwise, industry will continue on a militant and conflict basis to the detriment of all parties in it.

(f) *Self-negation*. The opposite trait to that of fighting and self-assertion is *self-negation* or self-abasement. It is particularly important in that when carried to the extreme, it is destructive of human capacity for good. It is the natural result of lack of self-expression or lack of opportunity for self-assertion, unless the pugnacious or militant attitude of mind develops in their stead. The result in either case is bad. There is no standing still in individual growth just as there is no standing still in social growth. There is either progress or decay. Industry can neither hope to increase nor retain those things of good that it has thus far secured if it holds down or represses the individual.

(g) *Thinking*. Man also possesses the *desire and the capacity to think*. Reasoning arrives at new truth and determines the why of the old. Without it knowledge is mere empty form, and progress can come only through chance or blind experience.

The power of reasoning, moreover, must be exercised in order to develop. The individual suffers unless he receives adequate *stimulus* to thought. Closely related to the power of reasoning, of course, is initiative. The question here is—does the usual worker receive this stimulus?

(h) *Leisure*. The *desire for leisure* is another trait in the normal human being. It is necessary for personal development and the pursuit of happiness as well as for greatest efficiency at work. The practical question again, is—does labor have sufficient leisure to maintain reasonable productivity and to develop itself according to the progres-

sive requirements of mankind and good citizenship? The employment of modern time-saving machinery, if coupled with proper pursuit of leisure, offers great benefit to the worker.

(i) *Sense of fair play or justice.* Finally, every normal person possesses a *sense of justice*. It is what may be called a feeling of fair play or the square deal. Two persons may have a different understanding of what justice in any particular case may be, but it is possible for them to understand each other even though they do not agree, and have the belief that the other wishes to deal fairly.

Men will forego many things when they consider that they have had a square deal. On the other hand, they will go to furthest extremes to get what they think is a square deal. Is it not psychologically impossible for an industry to expect its workers to think that they have received fair play when there is no channel for workers and employers to explain to each other what they think?

The foregoing traits are among the most important ones that prompt man to act upon an *individual basis*, but as already pointed out human nature is too complex and varied to be restricted to the characteristics mentioned here. It must be recognized that there are many springs to action, and that all of them are variously related to each other. Appeal to one or two without recognition of the others is likely to be futile. When an employer, for example, appeals to wages alone or gives the worker a nice home and still wonders why he has strikes, he has overlooked, among other things, the fundamental traits of self-respect and individual initiative.

#### THE SOCIAL AND THE INDIVIDUAL TRAITS SUPPLEMENT EACH OTHER

The working together of the social and individualistic traits in human nature makes for the balanced individual and the balanced social order. While they may bring con-



flict within the individual himself and the danger of suppression of one by the other, their intelligent control and linking together gives increased power and development to both the individual and society. The individual traits, on the one hand, find the opportunity for their most adequate expression only through the association of man with his fellows for the development of his social nature. His social nature, on the other hand, cannot be appropriately developed apart from his individual traits.

Do these human traits find adequate expression in industry? The evidence shows that industry in general has in a large way failed to recognize affirmatively even the simplest and most elementary traits of human nature. The proof of this fact is found in the history of labor relations under the factory system. Once the too few exceptions are noted, observation and experience still confirm that fact. This is true of the worker both as an individual and as a member of the social group. It has not protected him as carefully as it has protected its machines and has given less thought to him.

Individuality in industry, in the truer sense, has been only for the few. Long hours, for example, have too often prohibited the enjoyment of leisure or the promotion of personal development outside of the factory. Industry, in general, has not yet given sufficient return to the worker to enable him to secure a proprietary interest in industry or to own other property, often not even a home. It sometimes has caused him to assume a militant attitude of mind both toward industry and toward organized government. It has in many ways prohibited, moreover, the normal expression of his various social tendencies, and has prohibited him from participating adequately in the activities of the institutions of society itself. These observations, of course, pertain to the normal human being in industry and not to the individual of perverted instincts and tendencies.

That human nature in industry has too often become suppressed or perverted is a fact of greatest administrative im-

portance, Industry must readjust itself so as to permit normal expression of the fundamental human traits if it is to prosper permanently. In doing this it can act with full protection to the legitimate interest of all parties concerned, as experience is slowly but truly showing.

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LABOR RELATIONS IN INDUSTRY

PART II

THE CONTROL OF LABOR RELATIONS



## V

### THE GENERAL PROBLEM OF CONTROL

The general problem of control. Individual methods of dealing. Collective methods of dealing. Conciliation, mediation, and arbitration. Levels of control of human relations in industry.

IN labor relations, as in other fields, the question of control is the most fundamental problem of all. Upon a workable solution of it depends largely in turn the satisfactory accomplishment of any other aims that may be sought.

#### INDIVIDUAL METHODS OF DEALING

The relations between an employer and his employees may be handled on an individual basis in which the employer deals with the worker singly. They may also be handled on a collective basis in which the employees act in a group and the employer may also act in concert with other employers.

As the older of these two methods, individual dealing existed when industry was so conducted that an employer had only one or a few workers, and it has continued along with the growth of modern industry to the stage where there are a large number of workers in a given plant or industrial unit. Under this system the power of control has rested with the employer.<sup>1</sup>

The formal discussion of the control of labor relations in the succeeding chapters (VI to XI) proceeds on the assumption that employers' methods of dealing with employees by individual conference or contact, which naturally

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<sup>1</sup>The historical development of the law as it relates to individual and collective dealing between employer and employees will be found in Chapter X.



have to do with such matters as the determination of wages, conditions of work, and the like, are given adequate recognition in other chapters on these various topics. Thus a later discussion on wage determination includes a description of the various methods of individual dealing on that topic.

#### COLLECTIVE METHODS OF DEALING

With the development of modern industry, collective dealing has come to play a greater and greater part in the control of relations between employees and their employers. The exact methods which both employers and workers use in dealing collectively with each other have taken various forms of expression and will be described in detail in other chapters. It is well to note here, however, that collective dealing may be employed when relations between the employer and the workers are either harmonious or conflictive. The trade agreement that provides for conference based on mutual interest is an illustration of the peaceful type of dealing. The strike and lockout are illustrations of the conflictive type. The collective methods, however, have arisen largely through industrial conflict.

In the settlement of such conflict, conciliation, mediation or arbitration have in the past generally been employed as the final methods of adjustment. Conciliation, in its simplest form, exists when the parties to a dispute maintain direct relations and endeavor to arrive at a mutual and sympathetic agreement. When a third party endeavors to bring about such agreement the process becomes one of mediation, in which the outside party has no power to settle but can only suggest or persuade. The terms conciliation and mediation have come to be used somewhat interchangeably. On the other hand, when arbitration is employed the outside party, acting upon the authority given him by agreement of the disputants, reviews the situation with information furnished presumably by both sides and makes an

award. This award may or may not be binding, depending upon the stipulations in the agreement to arbitrate as entered into by the parties to the dispute, but in practice it usually is binding. Under compulsory arbitration, of course, the agreement as to conditions according to which arbitration shall proceed is not entered into directly by the parties to the dispute, and the arbitrator is appointed rather than chosen by them. In some cases of voluntary arbitration the appointment of an arbitrator is left to some disinterested party.

In considering the question of control and the manner in which it is exercised, it is significant to review the various levels on which industry as a whole has been governed in the past. These may be given in the order of the increasing degrees of participation in control by employers and by the workers for each type. In general sequence they show the trend toward the development of cooperative management between employers and employees as it has taken place over long periods of time. The first type noted, for example, has been rapidly passing from modern industry.

#### LEVELS OF CONTROL OF HUMAN RELATIONS IN INDUSTRY

1. Arbitrary control by employer individually applied
2. Sympathetic control by employer individually exercised
3. Direct opposition or conflict on an organized basis
4. Collective bargaining of the trading type<sup>1</sup>
5. Cooperative management

These levels may be characterized as follows:

##### (a) *As to workers' voice in control:*

In 1 and 2 the worker have no voice in control.

In 3 the workers have a negative voice and it is exercised through force.

In 4 the workers' voice may or may not be positive, depending

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<sup>1</sup>Any type of collective dealing is in the most general sense collective bargaining. The term collective bargaining, however, is used here to refer to the organized dealing of workers with employers from the purely bargaining standpoint; that is, each party making the best trade possible with the other, yet dealing on a peaceful basis, rather than by sympathetic and mutual dealing on a common basis.

on the character of bargaining; for example, in the constructive trade agreement or cooperative arbitration, it is positive; in the case of strikes or hostile arbitration their voice is negative.

(b) *As to the preventive or non-preventive nature of control:*

In 1, 2, and 3 the method of control is non-preventive; that is, it is not operative so as to prevent disputes from arising.

In 4 it may or may not be preventive.

In 5 it is first of all essentially preventive in nature, but also adjudicative if need be.

(c) *As to directness of contact between workers and employers:*

In 1 and 2 there is no contact in the handling of common problems.

In 3 the contact is indirect.

In 4 the contact may or may not be direct.

In 5 the contact is direct.

The first aspect of this problem that will be considered is control as it relates to the general function of management in industry. The part played by organized labor as such, and by organized employers, the activities of the state, and the place of education in industrial control will then be set forth.

## VI

### COOPERATIVE MANAGEMENT OF LABOR RELATIONS—ITS PRINCIPLES

The conduct of industry on a cooperative, instead of a conflict, basis. The justifications of cooperative management of labor relations. Cooperative management a constructive method. Dangers in cooperative management. Place of responsibility. The several interests involved. Collective dealing and free representation. The practical issue. The right of individual bargaining and dealing. The open shop and the closed shop.

THE prime essential in the control of labor relations is not the particular form of administration that may be chosen in a given case, but rather the attitude of all parties concerned toward each other and toward any specific plan of mutual dealing that may be adopted. Industry in its control of labor policy must be established and conducted on a *cooperative*, and not a *conflict*, basis.

An examination of the results secured under the various types of control shows that the arbitrary and conflictive methods of the past have not only been ineffective for industry as a whole, but often positively dangerous in their by-products to industry and to the state. Experience has shown that if industry would do no more than place itself on a basis of joint dealing and recognition of mutual interest in the conduct of these matters that are of common concern to employers and workers, it would then be in a position to enter upon a constructive program looking toward the furtherance of the legitimate interests of all parties in it.

Cooperative management as applied to labor relations can therefore be interpreted as meaning sympathetic and mutual dealing between capital and labor on a common basis of equality in all matters pertaining to terms and con-

ditions of employment and work. The justifications of this type of management and the principles under which it can best operate follow.

#### THE JUSTIFICATIONS OF COOPERATIVE MANAGEMENT

1. *Equality of opportunity and responsibility require it.* Once the principle of mutual interest and cooperation is accepted, its logical consequences as related to the problem of control of human relations in industry are apparent. Cooperation implies freedom of action and equality of opportunity in dealing on the part of those who cooperate. They must be free agents.

Both parties, moreover, have responsibility as well as opportunity in dealing on an equal basis with each other. Their obligations are mutual. Opportunity necessarily demands responsibility. This means that the employer has obligations toward the worker as well as the worker toward the employer. An employer, for example, may have the right to say whether he will employ any particular person, but when once he employs him the relations become mutual and the obligations are mutual.

2. *Protection requires representation.* It is only fair that the worker should have regularly established channels of adequate representation on his own behalf to insure that these obligations are faithfully kept, just as it is only proper that the employer should have adequate channels for insuring that the obligations on the part of the worker are faithfully kept. Workers and employers are equally entitled to a free and positive voice in helping to determine conditions and terms of employment and work and other matters that are of common concern. Otherwise cooperation becomes supplanted by compulsion or blind acceptance of the views of one or the other, without real responsibility on the part of the one who accepts them, regardless of what justification the matters in question may have within themselves.



Yet the system for conducting industry in the past has been such that the worker has not only been largely deprived of any voice in the control of these relations of mutual interest and, hence, usually of any chance intelligently to cooperate with his employer, but also he has lost oftentimes any basis of control through which he could feel assured of being able to provide a healthy program of life for himself and those dependent upon him. Surely every conscientious person has the inalienable right to have a reasonable opportunity to provide such a program, and, if he possess this right, certainly he has the further right of self-protection to insure that the first is not unreasonably abridged or denied.

3. *It is socially and politically desirable.* The growing and wide-spread dissatisfaction of workers with the old arbitrary system of governing industry, together with their ever-increasing consciousness of group power, is fraught with very real social and political gravity. Certain portions of the world have already witnessed the possible exercise of force transformed into stern reality. But even though open exercise of force is not present, the spirit of conflict and antagonism is a destructive influence in industry and society. The situation is much more serious now than formerly because of the facility for group action among workers and their ready knowledge of what other workers and the managers of industry are doing—a situation which of itself is not to be deprecated, but which, if constructive measures are not employed, makes possible a misapplication of group power of no mean consequence in its social and economic, if not in its political, aspects.

Labor's relation to industry is changing. The longer industry attempts to stem the tide of labor's evolution the greater will be the peril and the more antagonistic the attitude of those with whom it shall have to deal. The issue is between cooperative progress on one hand and wasteful conflict on the other. The worker is asking, first of all, for a channel for conference and negotiation in an organized

and responsible way with his employer. If he does not gain it in the more desirable form of cooperative representation, he will secure it in a less desirable form and in an attitude of conflict.

4. *It is equitable as man to man.* Furthermore, the worker has seen his own employer and his neighbor's employer combine to promote their mutual interests. He now asks the same privilege as man to man. Organization with his fellows is necessary to give him equal bargaining power. Equality of bargaining power is a prerequisite of industrial enfranchisement which he feels to be more real to him than political enfranchisement, because it is a part of his every-day life. Industrial enfranchisement means more to him, moreover, than benevolent autocracy. He scorns benevolence and fears its entanglements; it only increases his suspicions. He does not wish paternalism. He desires representation in the enterprise of which he is a part, because he is an essential part of it just as his employer is.

5. *It is a practical business necessity.* Collective dealing in a spirit of cooperation will in the future, it seems evident, be conducive of the best results in production, both in quantity and quality of output, whatever may have been the best methods in the past. Neither quantity nor quality of production can be permanently maintained without the workers' wholehearted interest and a willing spirit on the part of all, whether they represent capital or labor. Compulsion or standing aloof by either side is of no permanent avail. The acid test of practical business necessity, irrespective of any other considerations, demands constructive dealing on a mutual basis between employer and employee.

6. *The interests of capital and labor are ultimately the same.* There is a further reason for establishing and maintaining such relations in the conduct of the industrial order. The legitimate interests of capital and labor are

mutual and ultimately identical. What hurts one sooner or later hurts the other. Higher wages than conditions justify in the end hurt labor; lower wages than the same conditions justify in the end hurt capital. Any gains acquired by either through transgression upon or lack of recognition of the rights of the other can be but temporary. Inherently there is no eternal conflict between capital and labor. They have a permanent community of interest which fundamentally overshadows seeming conflict at any moment. The conflict of transitory interests, however, has too frequently prevailed. It finds its stimulus in immediate and selfish, as opposed to permanent and social, ends to be secured. The interests of capital and labor are those of partners in a true sense of the word. What they need to do is to work together.

#### COOPERATIVE MANAGEMENT A CONSTRUCTIVE METHOD

Cooperative management is more than mediation, conciliation, or arbitration. These are agencies for adjusting disputes, or allaying conflict that has already arisen, and involve the bringing in of outside parties, except where conciliation is entered into by the disputants direct. Cooperative management, on the other hand, is a positive force working for mutual advantage and the prevention of conflict, in which employer and worker deal directly with each other. Conciliation, mediation, and arbitration, of course, being peaceful methods of adjustment, represent a distinct step forward from that of the inordinate exercise of economic force to settle disputes between employer and worker. But of themselves they are not the highest forms of dealing between capital and labor. Trade agreements or contracts on wages and working conditions, though temporarily preventive in nature and constituting the most desirable forms of collective bargaining of themselves, offer no reasonably permanent guarantees of constructive dealing unless accompanied by a cooperative spirit. The only perma-

ment guarantee is the habit of positive cooperation. The practice of this habit requires machinery adapted to furnish the avenues for education in the principle of cooperation, by bringing the parties of first interest together in a vital way and in a constructive frame of mind. The principles of conciliation, mediation, arbitration, and collective bargaining may, if properly applied, form an integral part of cooperative management.

The operation of industry under a cooperative type of control requires a much higher order of management than under the old autocratic or benevolent system. Cooperative management is not an easy way. Responsible government under a democracy is always more difficult of administration than government under a capable and accepted autocracy, but it is more permanent and conducive of greater good to all parties in it. Whenever autocracy, however justified it may have been in its day, fails to democratize itself, it sooner or later becomes overwhelmed.

One must appreciate that there are dangers in such control of labor relations. But these dangers are not so much inherent in cooperative control itself, as the outgrowth of the artificial conditions that have prevailed throughout industry in the past. It is unfair to ascribe to the fundamental conception of democratic control itself the temporary difficulties in the operation of industry under such a method of control. It is not possible to expect workers always to act as would seem best to the existing management when they have been deprived in the past of any reasonable opportunity to learn how. Like everybody, they learn to do by doing. It would seem, moreover, from the existing state of affairs that the necessity for further enlightenment in these matters does not lie wholly on the side of the workers. Neither the employer nor the worker can expect the other side immediately to gain his own point of view and always to assume the common responsibilities when there has been no channel in the past for learning and carrying out these mutual responsibilities.

## THE PLACE OF RESPONSIBILITY

It must be recognized, however, that privilege carries with it corresponding responsibilities, and that industrial enfranchisement of the worker requires of him, as of the employer, good faith and cordial dealing. In the cooperative control of industry, just as in the democratic governing of the state, the individual, in exercising his right of personal choice, should always be mindful of the fact that both the benefits and the responsibilities of the cooperative group and of the individual are mutual. He should be ever zealous that he performs his reasonable duty toward any lawful element within that cooperative group. He should also have adequate means of information and counsel in arriving at his judgment.

Such a system of control in industry obviously involves recognition of and constructive dealing with all lawful associations of workers and of employers, wherever they may exist, without regard to their particular form of expression so long as they are truly representative of the legitimate desire of the parties represented.

The importance of employers, workers, and the public in general promoting the development of responsible authority among the interested parties, to whichever it may pertain, cannot be overemphasized. Responsibility is developed through encouraging the exercise of responsibility. To what extent it can advisedly be developed at any given time must be decided in each particular case.

The alternative, it might be suggested, is the danger of a greater and uncontrolled power, that of unorganized, undirected, and irresponsible mob action. The greatest peril of society today is the consciousness of group power, along with the lack of education that exists among the more radical elements of society, with no responsible authority among them. The biggest blow to inordinate radicalism among workers would be the recognition of duly constituted authority among responsible workers. In only such a man-



ner can they gain opportunity to supplant any anti-social methods with social methods for securing what they believe to be the common good. Workers' organizations for collective dealing, it may be well to note in this connection, are but the natural product of the past industrial order; and upon the past and present must be builded the future.

Strangely enough, the value of duly organized and responsible groups of persons in other phases of business, such as establishing financial credits or purchasing goods, has long been recognized. But this recognition has not been applied generally to the most vital phase of human relations.

It is true that some people sincerely view with fear and suspicion any change from the present or past. But there can be no standing still, for although one individually does not move onward the world moves onward about him, and his mere standing still shortly becomes reaction in itself. Inordinate radicalism is, in fact, born of reaction and feeds upon it. The preventive is the spirit of controlled progressivism springing from a knowledge of the ever-developing needs and institutions of mankind.

#### THE SEVERAL INTERESTS INVOLVED

It has already been noted that the interests of the parties to industry are mutual. It is well, perhaps, before suggesting matters of specific technique, briefly to bring together in some detail the legitimate claims of the workers, of the employers, and of the public as such in both their local and broader community aspects. These are viewed from the standpoint of the various interests and jurisdictions involved in each case.

1. The interests of the workers, of the employer, and of the public are *ultimately identical* on all of the basic issues, whatever may be the particular questions under consideration. If necessary production is not maintained, all suffer. If the legitimate interests of capital are not pro-

tected, all suffer. If the markets for the product are not properly developed, all suffer. If the rights of labor are not secured, all suffer. The ultimate interests of the several parties to industry cannot be separated.

2. Certain interests are of *local significance between workers as a group and employers* within the productive unit or plant, as typified in the general nature of the product, in compensation for special merit, or in the purely personal relations between employer and the workers in a particular plant.

3. Certain of these interests are of *general significance between employers and workers as a group* in a given industry, such as technical education and betterment programs within the industry, the production methods of the industry itself, and its markets.

4. Certain of these interests are of *local significance between employers and workers in a given trade or craft* within an industry such as the nature of the work to be done or the local wage levels in relation to the type of work to be done.

5. Certain of these interests are of *general significance between employers and workers in given trades or callings*, such as the general standards of the trade or calling, general wage levels, and the like.

6. It is axiomatic that *all of these interests are interrelated and of public import*, directly or indirectly, whether they be terms or conditions of employment and work as such or the more general problems of distribution of wealth, marketing the product, and the like.

These facts, from a practical standpoint, simply mean that *any permanent plan for the management of given units of industry must recognize these several interests*. No one interest may be promoted to the detriment of the others without in the end being injured itself. Temporarily, of course, this may not result for particular cases.

## COLLECTIVE DEALING AND FREE REPRESENTATION

If cooperative management of labor relations be justified and workers have a right to a voice in management there arise the questions: (1) to what extent have they the right to associate themselves together for collective dealing in order to exercise their voice, and (2) who shall represent their interests?

The point of view is sometimes advanced that the worker may be entitled to representation but that he may not organize freely, or that though he may have the right to organize and bargain collectively, he must choose his representatives from within the plant in which he works. Labor, it seems only fair to admit, has the right, so long as it is truly representative of the workers involved, to be organized and to be represented by representatives of its own choosing, whether such representatives come from within or without a particular plant. Among the reasons for this are:

1. If organization or representation of workers necessarily be confined to those within a given plant itself, freedom of action may be impaired, and intimidation, domination, and other like methods of control by the less conscientious or thoughtless employer are made possible, thus destroying equality of bargaining power.

2. The employer has the right to be represented by representatives of his own choosing. As a matter of equity, the worker should enjoy the same privilege.

3. The employer can and does secure the highest talent obtainable from within or from without the plant to represent him. Is it fair, then, for the worker to be restricted in the sources of talent from which he may draw to get his representatives, and often be compelled to be represented by uninformed, uneducated, or tired workers who are handicapped in striking a fair bargain in their own behalf?

4. It is an established principle of justice that man has a right to be defended by another in court in order to secure

capable counsel. Is there any justifiable reason why the worker should be deprived of a similar right in protecting his interests in industry?

5. Oftentimes the interests that are involved transcend the walls of a particular plant or industry. Certainly in order to insure adequate consideration and protection of these interests, organization or representation on either side should not necessarily be confined within a particular plant irrespective of the desires of the contractive party at interest.

6. The development of a high type of leadership among workers, as well as in any other phase of industry, requires acquaintance with general conditions throughout industry, and this acquaintance may not always be secured by workers in a particular concern.

7. It is a right inherent in personal liberty and sacred to democratic freedom.

Experience shows that the practical issue is—first recognize the right of workers to organize and to be represented by representatives of their choosing. Then through constructive dealing with workers *assist in developing a responsible leadership* among them.

In brief, these principles may be summarized in the fundamental tenet that both employers and workers have the right to organize as they may wish in lawful associations without discrimination, to bargain and to deal collectively when they desire, and to be represented by representatives of their own choosing in negotiations and adjustments with respect to terms and conditions of employment and work.

The same principles justify the internal company plans of organized representation for workers just as they do the external forms of organization, if this truly represents the desires of the workers. They do not conflict with, but supplement, the body of principles governing the fundamental interests of capital and labor and the public. The exact

form of organization, with the machinery for effecting these ends, should be jointly agreed upon between employer and the workers with due protection of the public's interest.

#### THE RIGHT OF INDIVIDUAL BARGAINING AND DEALING

The right of collective bargaining, moreover, implies a *coexistent and equal right* to bargain and to deal individually if the worker so chooses. He also has the inalienable right to choose what associations shall represent him. No single type of organization or group within industry, legitimate as it may be within itself for those who voluntarily comprise it, has the right to compel the individual to act through it.

It may be submitted that through disadvantage incurred from individual dealing alone the worker sometimes fails to bargain effectively and thus injures himself and those dependent upon him, and society as well. Or, it may be suggested that without effort on his part the individual who so deals secures benefits that are derived as the direct or indirect result of the activities of those who belong to a given group or association of his kind. Again, however, the remedy, if there need be a remedy, is not coercion, but education. It cannot be asserted too strongly that the basic and governing principle here is the same that governs collective bargaining and the representation of workers through representatives of their own choosing.

#### THE "OPEN SHOP" AND THE "CLOSED SHOP"

The same principle governs the question of the so-called "open shop" and "closed shop." Compulsion exercised by either employers or workers to force an employee to refrain from joining or to join a labor union, as the case may be in each respective instance, is unjustifiable. If any group or organization, whether it represents employers or workers, can through peaceful persuasion and without the exercise of



intimidation or other ulterior methods induce a worker to join or not to join another group of workers, such action then becomes justifiable. There are, of course, as with all other institutions and practices in society, those few exceptional cases in which certain individuals combine in unlawful associations or so conduct themselves as individuals as to threaten the interests of the community, in which cases peaceful persuasion and education are of no avail. But such cases are without the realm of labor's normal activities just as they are for capital and pass over into the field of those acts of individuals that are contrary to the recognized institutions of duly organized society itself. As such they should be handled as the exception that transgresses the law and not as condemning the pursuit of the normal activities themselves any more than the transgressions of public servants in a republic, for example, should be considered as condemnatory of the principles of the democratic form of government itself.

Industry has witnessed many struggles over the "open shop" and "closed shop" issue. Sometimes these struggles have been on a relatively small scale between local employers and local groups of workers. Frequently they have involved entire industries and embraced national organizations on the side of both employers and workers. Sometimes these efforts are transitory, but in certain cases they represent permanent organization. At times the real issues involved have been greatly confused.

As to exactly what the terms "open shop" and "closed shop" mean when applied to given cases in industry can be determined only by a knowledge of the actual conditions involved. Their correct usage is not always apparent in actual practice.

The open shop, in its theoretical sense, stands for the right of employment to a worker irrespective of what organization or affiliations he may have, union, non-union, or what. The closed shop, in the general accepted sense of the term, refers to a given unit in industry, whether it is a

plant or entire industry in a locality, in which a worker must belong, or not belong, to an organization of a given type before he can receive employment. That type of organization to which he must belong is usually called a labor union, likewise the one to which he usually must not belong is also a labor union; that is, there are two kinds of closed shop—the one closed for and the other closed against union labor.

Under the real open shop the worker should, in other words, have the privilege and, if it is a real open shop, he has the privilege of belonging to any lawful organization he wants to and can have anybody represent him, and that should have no bearing whatsoever upon his right to be employed in any shop or any other unit which gives employment.

What is usually known as the open shopper, on the one hand, and the labor union, on the other hand, have emphasized just one aspect of various elements in the situation and as far as the single principle which each man selects is concerned he is absolutely right. There should be no curtailment of the right of freedom of contract on the part of the worker, generally speaking. Also there should be no restriction on the right of freedom of association and having representation of one's own choosing for lawful purposes. The trouble comes in talking only about one to the exclusion of the other.

It may be possible that later with social change, and a development of enlightened public opinion which includes not only the recognition of right of freedom of contract but the right of association and representation according to one's own choosing for proper purposes as well as the development of the law of labor relations, industry will get to a place where the real open shop can exist on a broad scale. But such is not possible now with the resources which both labor and employer have and without further development of constructive public opinion that will protect the worker.

But it should be emphasized that when such a condition

comes, one in which the real open shop can exist, there must be adequate provision at law and otherwise, and industry must be so governed that all interests, labor as well as capital and what is sometimes called the outside public, are fully protected; and that both the right of freedom of contract and freedom of association and representation will be permitted to operate to the fullest extent, in so far as they are exercised for proper purposes.

These are questions that would not arise if cooperation were general and complete. As it is, their practical implications are most fundamental.

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## VII

### COOPERATIVE MANAGEMENT OF LABOR RELATIONS—ITS TECHNIQUE

Types of cooperative control of labor relations. Advantages and limitations of different types. Description of typical plans. Dennison Manufacturing Company. Colorado Fuel and Iron Company. International Harvester Company. Philadelphia Rapid Transit Company. Dutchess Bleachery. "Senate-house" plan. Other company plans. Men's garment industry. Cleveland garment industry. Printing industry. Electrical trades. Whitley Councils. National board for jurisdictional awards in the building industry. American Construction Council. Local building congresses. Governmental action on cooperative relations. General standards.

A COMPARATIVE study of the various plans and movements for workers' participation in management on a cooperative basis reveals the many phases which the plans thus far evolved may assume.

In general, the plans and movements as presented in industry today may be characterized by types as follows:<sup>1</sup>

1. The departmental or individual shop committee, in which the workers of a particular unit within the plant have a voice in the affairs of that part of the plant only.

2. The company council or works committee, in which the workers of the entire plant have a voice in the affairs of mutual interest throughout the plant as a whole.

3. Membership on the board of directors, in which the workers have a voice in the activities of the directorate.

4. Stock ownership in the company, giving such voice to the workers as is enjoyed by holders of the kind of stock held by them.

5. The so-called "senate-house" plan, in which usually

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<sup>1</sup>Plans for compulsory arbitration as a method of control in industry are discussed under "Labor and the Law," Chapter X.

the workers constitute the house, the foremen constitute the senate, and the executives the cabinet, with the executive and controlling authority resting with the usual officials of the company.

6. The trade council, in which the employer or group of employers in a given enterprise or industry and the workers of a given trade within that industry through their respective organization form a joint conference body or other medium for mutual dealing.

7. The joint industrial council or board, in which groups of workers and groups of employers of an industry join together in a common body for mutual dealing, sometimes national and sometimes merely sectional in scope.

Various combinations and modifications of these several plans, of course, exist. Some are premised upon labor unions, while others are not.

#### ADVANTAGES AND LIMITATIONS

The degree of authority exercised by the worker through any particular one of these plans is of varying extent. Sometimes it is merely consultive, sometimes recommendatory, or, again, legislative, judicial, or executive in nature. Often the voice of the worker is more apparent than real. Many of the plans thus far introduced as methods of cooperative dealing, moreover, are not preventive in nature and do not bring the employer and worker into direct contact with each other. In brief, it is only fair to say that, numerically speaking, only relatively few of the plans thus far proposed for joint management in industry conform in any substantial degree to the general standards for cooperative control already suggested.

It is obvious, for example, that the shop committee in the sense referred to above is limited in jurisdiction and therefore in power. The term "shop committee," it should be noted, is sometimes used to refer to what is termed above



as the "company council" or "works committee," in which the workers may exercise broad power. As the unit for a given shop within an entire plant, the shop committee has value as an important part of a more extended plan of cooperative dealing; but without the additional and broader features which through representation bring the workers of the individual shop into touch with the general management and provide a final and cooperative method of adjusting all differences, the individual shop committee does not of itself extend to a marked degree into the field of cooperative management.

Ownership of stock and membership on the board of directors likewise have their limitations, unless other privileges are enjoyed with them. This is particularly true where representation of workers on the board of directors is only nominal either through the personal representatives or through the voice that may be exercised through a minority of stock ownership. In those few cases already in existence where the workers have come or are coming more and more into control of the business through the ownership of voting stock and thereby exercise a real voice in the directorate or have a virile representative on the board of directors, this type of cooperative relationship has real significance.<sup>1</sup>

#### DESCRIPTION OF TYPICAL PLANS

For the purpose of illustrating present-day trends in the cooperative control of labor relations it is of value to describe, briefly, some of the more important plans that have come into existence. These are described not with any presumption one way or the other as to their permanency or as to their real effectiveness. They are cited to show trends in the formal technique of cooperative management in this stage of development. Many things of both internal

<sup>1</sup>In this connection see the Dennison Manufacturing Company's plan on page 85.

Several states have enacted or proposed enacting laws to clarify the relation of employer and employee under the directorate plan.

or external origin can happen to impair the true value of any given plan or to affect its permanency.

*Dennison Manufacturing Company.* A plan quite unique in conception and development, and one embracing to a substantial degree provisions for the administration of various phases of cooperative relations between the employer and the employees affected, is the industrial partnership plan of the Dennison Manufacturing Company. Along with cooperative management it combines in a real sense profit-sharing and other phases of labor relations which go further than the usual forms of cooperative management, in that it finally places the control of the Dennison Manufacturing Company in the hands of its employees—chiefly in its managerial employees who hold the voting stock of the company. Employees whose positions are not of a managerial nature also have a voice in the government of the company through participation in the works committee.

The outstanding points of the plan, in the words of the company, are given in the following extracts:

The company was entirely reorganized in 1911. All the common stock previously held by the investor was changed over to non-voting first preferred stock with a fixed annual return of 8%. All remaining profits are annually invested in the business, and stock certificates covering this investment are issued to managerial employees. This stock, which is called "managerial industrial partnership stock," gives to its owners the privilege of voting for the directors of the company and the right to an annual cash dividend. The exact amount of this cash dividend is determined each year by the directors on the basis of business conditions.

The managerial industrial partnership stock is distributed each year to the managerial employees in proportion to their salaries. Managerial employees are sales managers, senior salesmen, department heads, principal foremen, chief clerks, and others whose work shows a high degree of imagination, tact, or business judgment. This stock is not transferable, but when a managerial industrial partner dies or leaves the company, his partnership stock is canceled and he is given in the place of it 7% second preferred stock of equal par value.

By this change the investors who were not actively engaged in

the business received a fixed dividend and had no power to vote, while the remaining profits and control of the company were given to the people who were in a position most to influence those profits, and at the same time whose positions enabled them to understand the broader problems with which the company had to deal.

Shortly after the reorganization it became evident that the company would be better managed if those employees who were not in managerial positions were also given a proper opportunity to strengthen its policies by their suggestions on matters relating to their own work. On this account, the management put before the employees, in 1919, the desire of the company to have them work out some plan for their participation in management. The employees worked out a plan which was so thorough and well-balanced that the management immediately approved it.

The plan provided that the employees of each large department or group of small departments should elect representatives to a general works committee. This committee meets semimonthly to consider problems relating to the welfare of the factory and to make recommendations to the management. When the works committee has reached its conclusion on any point, its decision is referred to one of the several small conference committees consisting of an equal number of members from the management and the employees. Matters that start from the management may either be similarly referred first to one of these conference committees or may go directly to the works committee. The conference committee carefully goes over the proposition and makes any changes that seem advisable from the joint point of view of the management and the employees, and their recommendations are passed on to the management and the works committee for final approval . . . .

This plan shall not interfere with existing agreements between trade organizations and the company, nor shall it abridge the right of any such organization to deal directly with the company . . . .

In a word, it finally places the responsibility of maintaining a wise management upon the principal workers, and offers them a reward commensurate with their collective and individual efforts, but makes this reward fully contingent upon their performing their whole obligation to the present owners of the capital invested in the business, at the same time providing as a penalty for unwise management the loss of the control of this management. It offers to the present capital owners a property whose permanent value is trebly safeguarded and whose return, while it cannot increase in amount, is practically as certain as the return on a bond.

Another important feature of the Dennison system is that it represents a growth from within the ranks of the employees who in some cases have worked out the plans in their entirety. The Dennison plan of cooperative management or actual control of the industry cannot be considered apart from the more strictly profit-sharing features of the company for its employees, which are discussed in another connection.<sup>1</sup>

*Colorado Fuel and Iron Company.* The plan of the Colorado Fuel and Iron Company, inaugurated in 1915, set up machinery which, according to the announcement of the company, was designed to provide orderly procedure in the handling of every phase of the company's relations with the workers. It endeavored to give protection to employees against discrimination of any kind and included an employees' bill of rights. The principle of joint conference was emphasized through a system of representatives including divisional representatives for the steel plant and district committees of workers in the mines. Definite machinery was set up for the adjustment of any disputes and in case all other methods failed it was provided that the State Industrial Commission either settle the dispute or appoint an arbitrator whose decision is to be final and binding. Aside from the inclusive principles involved, this plan merits special consideration as among the earlier forms of joint conference combined with final methods of adjustment. It is generally recognized as the first plan of its kind to be introduced into a large-scale industry in this country.

*International Harvester Company.* In many of its aspects the International Harvester Company's plan is among the few that indicate a near approach on a large scale to a company council plan that, from its formal provisions, meets many of the requirements of true cooperative management.

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<sup>1</sup>See chapter on "Profit-sharing," page 266.

The plan provides for a "works council" in which representatives elected by the employees shall have equal voice and vote with the management in the consideration of matters of mutual interest.

It guarantees to every employee the right to present any suggestion, request, or complaint and to have it promptly considered and fairly decided. Provision is also made for impartial arbitration. This arbitration, however, is by mutual agreement with compulsory award.

Among the provisions given as the principal means of carrying this plan into effect, it is stated that "there shall be organized, at each works adopting the plan, a works council composed of representatives of the employees, and representatives of the management. The employee representatives shall be elected by the employees. The management representatives shall be appointed by the management, and shall not exceed the employee representatives in number. Both shall at all times have an equal voice and voting power in considering matters coming before the council.

"Through these councils any employee or group of employees, or the management, may at any time present suggestions, requests or complaints with the certainty of a full and fair hearing. Matters which cannot be thus disposed of may, by mutual consent, be submitted to impartial arbitration as hereinafter provided."

Provision is made against "discrimination because of race, sex, political or religious affiliation, or membership in any labor or other organization or against any representative because of action taken by him in good faith. To guarantee to each representative his independence, he shall have the right to appeal directly to the president for relief from any alleged discrimination against him, and if the decision of the president is not satisfactory to him, then to have the question settled by an arbitrator selected by mutual agreement.

"Decisions affecting wages made by any works council or general council or by arbitration shall be subject to revi-



sion whenever changed conditions justify, but not oftener than at intervals of six months."

*Philadelphia Rapid Transit Company.* Still another plan, operating in a public utility, is that of the Philadelphia Rapid Transit Company. Its chief features provide for free and individual vote of the workers for representatives for proper collective bargaining; the integrity of workers' committees and workers' representation; and the regular functioning of the branch committees, department committees, and a general cooperative committee with full power except when arbitration is necessary; and an impartial board of arbitration which has final jurisdiction. Equal vote of workers and company representatives is provided for on all the committees. The plan formally stipulates that the principle of the Cooperative Plan of 1911, that is, that "employees may belong to any union or other organization without let or hindrance," is hereby ratified and confirmed; it being understood, however, that in the interest of service to the public, the rules of the company must be obeyed.

This plan must also be considered in relation to the company's provision for a cooperative wage dividend fund, paid into out of surplus by the company to its employees and used to buy common stock of the company. The fund is administered by a board of four trustees. Under it the employees have a financial participation in the activities of the company, and in accordance with which the employees, according to official statement, have an increasingly affirmative part in the actual direction of the affairs of the company with the possibility of future control.

*Dutchess Bleachery.* The partnership plan of the Dutchess Bleachery, adopted in 1918, provides for a representative of the employees on the board of directors; for definite responsibility in shop management through equal representation on the board of managers, composed of six officers of the company and six employees, which handles all important questions such as wages, hours of work, and

the like; and for the administration, by a board of operatives composed entirely of employees elected by a secret ballot, of company houses and recommendations on educational and other matters. In addition there is a representative of the community on the board of directors. Definite steps are also taken to lay before the employees the financial status of the company as well as statements of the economics of the business in general. From the nature of its purpose and the machinery for carrying it out, this plan is among those providing for the most direct representation of workers in management.

*The "senate-house" plan.* The so-called "senate-house" plan in its usual form provides for a definite place for the foremen and minor department heads in the scheme for industrial democracy. It also represents a step away from absolute, arbitrary, and impersonal methods of dealing.

But under the "senate-house" plan, the "president" and the "senate," it should be noted for comparative purposes, are *not* elected by the "people," as in our plan of national government. Also, the workers are not necessarily, and certainly are not in the fullest sense, stockholders, while in our national government the people, as taxpayers, are stockholders in the government and have very definite privileges appertaining thereto. Again, the "senate" and the "house" have no power over the veto or non-approval of "bills" previously passed by the "senate" or the "house," and the "senate," from the standpoint of eligibility to membership, is not comparable to the United States Senate, for the reason that only foremen can be members of the industrial "senate," whereas under the plan of our national government senators can be elected from among all the people who enjoy suffrage with only minimum restrictions as to residence, age, and citizenship. It may be added that under this plan the contact of the workers with the management is not direct; that is, the workers and the management do not, after all, sit down at the same table and talk over their aims and problems.

## OTHER COMPANY PLANS

Other plans incorporating certain conference features should be noted. Among these are those of the Lynn Works of the General Electric Company, the Procter and Gamble Company, and the Standard Oil Company. The Bethlehem Steel Company plan, in addition to having conference committees for special problems and a general joint committee, provides that any unsettled matter "may be referred, if the president and a majority of the employees' representatives on the general joint committee agree to such reference, to an arbitrator or arbitrators to be determined at the time according to the nature of the controversy."

The introduction of the "shop committee" idea with certain general conference features in the Pennsylvania Railroad illustrates one endeavor in the railroad industry without a predetermined basis for final settlement and without union recognition. The Delaware and Hudson Railroad has a "shop committee" plan with graduated voting powers. A recent development utilizing the conference principle with union recognition is seen in the Baltimore and Ohio Railroad system of joint relations covering the shop-craft unions. This plan provides for cooperative effort in handling work control, manufacturing processes, material supply, and condition of tools and equipment as well as on wages and working rules. It thus embraces a wide field of relations between employer and workers.

Where appeal lies with the general officers or the directorate rather than merely with line officers the plans have increasing merit. Where no provision is made for final and impartial adjudication of differences or decisions any given conference system cannot be considered as providing a real and positive voice to the workers. Also such plans must be considered in connection with other phases of workers' representation in the control of labor relations, such as membership in the directorate as is the case with the Procter and Gamble Company.

## MEN'S GARMENT INDUSTRY

The general movement for joint dealing between the employers in the men's garment industry and the Amalgamated Clothing Workers of America, particularly in the Chicago and Rochester districts, is among the most significant yet developed. The forerunner of this movement on a large scale was the agreement of proved benefit between the Hart, Schaffner and Marx Clothing Company, of Chicago, and the union workers with whom they dealt. In the past few years numerous companies, including B. Kuppenheimer and Company, Alfred Decker and Cohn, and others, have adopted the general plan, thus constituting a distinct industrial group.

This plan has as its foundation the regular voluntary trade agreement or contract with additional machinery to provide limited yet definite judicial power within the industry. The exercise of this judicial power has centered around the growth of a highly developed interpretation of the agreement itself which is subject to being renewed or changed upon expiration of the contract. Thus terms and conditions of employment and machinery for the adjustment of differences are determined by negotiation and agreement, but a continuous and immediately active system of adjudication is available for securing final decisions upon disputed questions recognized as judiciable under the agreement.

A central tendency under the plan is the development through precedent of a common law or code of practice on labor relations for the industry. In some cases this tendency has taken the direction of placing the emphasis upon litigation and hence also upon the judicial phases rather than upon negotiation and informal agreement. But this is an outgrowth of the type of management applied in these instances to the operation of the plan rather than an inherent part of the plan as such.

This movement is in rather definite contrast to those in

which the employers and workers deal directly with each other in joint conference on all matters pertaining to terms and conditions of employment and labor without distinct separation of functional jurisdiction or reference to precedent, and with appeal to judicial or quasi-judicial decision distinctly as a matter only of last resort. The marked emphasis that is placed upon the "impartial chairman," although he may not represent alone the court of last resort, suggests the need for proper safeguards to be employed in order to avoid in effect a system of one-man control on matters of mutual relations between employers and workers as well as on questions involving the public interest. The plan thus requires a very high type of chairman comparable to the highest type of man in the regular judiciary, and ever sensitive to the rights of workers, of employers, and of the public.

The various phases of this general movement in the men's garment industry represent a constructive stage of development in the relations between employers and workers, and as a positive agency for industrial peace and cooperative handling of common problems, it is most significant.

The whole movement is typical of the gradual but definite evolution from the more antagonistic phases of collective bargaining toward positive cooperative control. It is also quite typical of the benefits to be derived from the promotion of organized and responsible leadership among both employers and workers. It further shows that the appropriateness of any plan must be determined with due regard to the traditions and psychology of the people affected.

#### CLEVELAND GARMENT INDUSTRY

The plan set up under the continuing agreement between the Cleveland Garment Manufacturers' Association and the International Ladies' Garment Workers' Union and the board of referees has been one of the outstanding endeavors in cooperative management. The three most significant



principles set up under this plan are the settlement of wages by representatives of the "disinterested public," an incentive for production on the part of labor, and an incentive to provide employment on the part of the employer. In addition, strikes and lockouts were strictly forbidden. The history of this plan has exemplified the fact that the success of such a scheme is closely linked up with general market conditions in the industry.

#### PRINTING INDUSTRY

Another movement marking a significant effort in the handling of labor relations in industry is that setting up the joint council in the closed-shop branch of the printing industry in the United States. This plan, called the international joint conference council of the printing industry, was in conception based essentially on the idea of the value of mutual conference and common agreement. As such it not only provided for direct conference between employers and workers, but also for peaceful settlement, through voluntary arbitration, of all matters requiring adjustment.

One of the most outstanding characteristics of the plan is the effort made to keep all matters of adjustment regarding wages and the like under the jurisdiction of persons actively engaged in the industry, even when arbitration becomes necessary. As a last resort, however, provision is made for "an impartial arbitrator if necessary." Another significant feature of this movement is the emphasis that has been placed on the economic status of the workers and of the industry in handling all wage adjustments.

The plan is noteworthy, in general, for the comprehensive scope of activities with which it deals. It is also representative of a minimum of compulsion or of exercise of centralized control. In many ways it in form has represented the most extensive development of the national industrial council idea in this country. Being based upon voluntary cooperation, such a plan is quite difficult of administration in

periods of crisis, but on the other hand it has the power of positive good-will on the part of those who come under it.

#### ELECTRICAL TRADES

Another system affecting various industries through the application of a given group of trades to different industries, is found in the national council on industrial relations for the electrical construction industry of the United States and Canada.

This council is composed of an equal number of representatives of labor and of employers and functions, first, "for the purpose of removing the causes of friction and dispute between employer and employee, and second, for the settlement or adjustment of existing disputes between employer and employee, between associated employers and unions. . . . Mediation—the settlement of disputes by reason instead of fighting—is the function with which the council is generally and closely associated. The prime interest of the council, however, is not mediation but the discovery and removal of the causes of disputes which call for mediation. Causes are discovered by a study of effects, by research and diagnosis, and for that reason the council has placed itself at the service of the industry as mediator. By rendering this service the council promotes its own ends, for mediation affords it an opportunity to deal with realities and add to its fund of factual knowledge. . . .

"If differences are not composed by local conferences and discussion, they come to the council for consideration, and if the council also fails to reach an agreement, the highly important factor of an informed public opinion is introduced by publishing the facts. In meeting such a situation, the council relies upon the natural inclination of men to think correctly and act with fairness and justice when they have the facts."<sup>1</sup>

<sup>1</sup>Comstock, L. K., "Joint and National Counseling in the Electrical Construction Industry." Reprinted from the *Proceedings of the Academy of Political Science in the City of New York*, Vol. IX, No. 4, January, 1922.

Thus, disputes as such are handled after they have failed of conciliation through local machinery; they initially come up for conciliation through request of either party in the given locality.

This system represents a successive series of conference, mediation, and final arbitration, voluntarily agreed to with compulsory award if such award is arrived at through unanimous vote, but with enforcement left to the power of publicity of facts in case unanimous agreement is lacking.

#### THE WHITLEY COUNCILS

In the Whitley councils British industry furnished one of the most important illustrations in the direction of industrial self-control of labor relations. These councils were designed to furnish a type of cooperative dealing in highly unionized industries, and yet, representing entire industries, to function distinct from the strictly craft basis. Sponsored by the government, they were still based upon voluntary agreement within industry.

In form the Whitley councils provided for a national joint standing council of employers and workers to handle all matters pertaining to wages and working conditions for each industry. Every district or locality and finally each plant was to have a similar organization, with the national council operating largely through the local groups. Both national and local interests were to be safeguarded in this manner. The members of the councils were to be drawn from the existing organizations of employers and of workers. Thus, continuous contact between employers and workers was to be secured by utilizing the existing machinery of each industry, knitting it together throughout, and having it function regularly.

In the application of the Whitley idea to British industries the importance of underlying principles and the spirit of dealing instead of the machinery or form itself is portrayed. While such major industries as coal, railways,

cotton, engineering, and iron and steel refused to adopt the machinery, still they have in a number of cases adopted the principle. A number of secondary industries, in point of size, such as pottery and printing, organized themselves on the joint-council basis. "Over practically the whole field of wage-earning occupations there is now in existence or in formation joint machinery, industry by industry and trade by trade, for settling wages and other conditions of employment," says Professor Clay. "It is in the general adoption of the principles rather than the terminology of the report that its real success is seen, and this adoption is now almost universal. It is seen most clearly perhaps in the industries that most ostentatiously ignored the report—coal and railways."<sup>1</sup>

The influence of the idea back of the Whitley councils has been great beyond British industry as well as within it. Yet these councils are to be considered as one manifestation of the principle of joint dealing rather than as a chief stimulus. The development of the principles of joint industrial councils and works committees has its roots in the basic problems of the control of industry and is as wide-spread in its stimulation as industry itself.

#### NATIONAL BOARD FOR JURISDICTIONAL AWARDS IN THE BUILDING INDUSTRY

For the purpose of eliminating the losses occurring from any jurisdictional disputes, a national board for jurisdictional awards for the building industry was formed in Washington, D. C., in August, 1919. This board, acting in a judicial capacity, hears and adjudicates disputes of a jurisdictional nature in the building industry, for union workmen and the employers thereof. The following elements in the building industry are active parties to the board, namely, the building trades department of the

<sup>1</sup>Clay, Henry, "Joint Committees in British Industry," *New York Evening Post*, January 12, 1922; see also same author, "English Councils Study Industry," *ibid.*, March 29, 1921.

American Federation of Labor, the American Institute of Architects, the Engineering Council, the Associated General Contractors of America, and the National Association of Building Trades Employers. The preamble to the constitution states that "the building industry . . . . agrees to unite its efforts for the purpose of adjusting in a conciliatory and cooperative spirit, such differences of opinion that now exist, or may arise in the future. The immediate object is to settle disputes as to jurisdiction over work that is claimed by more than one building trade.

"This plan is intended to operate between union workmen and the employers thereof . . . .

"No member representing the building trades department shall vote on an award in a dispute in which his own craft is involved nor shall any member employing one trade exclusively vote on any award in which that trade is a party at interest . . . .

"The chairman and vice-chairman shall be chosen from the duly accredited representatives and shall be elected by a majority vote of the board. The secretary-treasurer shall be appointed by the board and shall serve with voice, but no vote."

The constitution of the National Board for Jurisdictional Awards provides a method for reopening decisions. Constituent members of the board may upon submission of new evidence secure a rehearing, but pending such a rehearing the awards made shall remain in force and effect.

Since the board was brought into existence jurisdictional strikes have been reduced, it has been authoritatively stated, 80% below any comparable period prior to the existence of the board.

#### THE AMERICAN CONSTRUCTION COUNCIL

A movement that does not concern itself with labor disputes, but which directs its efforts to other phases of labor relations and economic and ethical problems of interest to



all elements affecting a great industry, including the public interest, is the American Construction Council. It deals with fundamental relationships rather than specific cases and thus represents one of the greatest experiments on cooperative relations in industry that has ever been attempted.

It is an impartial national body representative of all interests affecting the construction industry including financial, bonding, insurance, and real estate; architects; engineers; construction labor; general contractors; sub-contractors; material and equipment manufacturers; material and equipment dealers; construction departments of public utilities; officials of federal, state, municipal, and county departments identified in any way with construction; national associations of builders exchanges and of building trades employers and similar associations or federations of building interests; and the public.

The theory back of the council is that, being representative of all elements and thus able to speak with compelling weight, it can accomplish many results that no single branch of the industry can attain alone; and it can achieve these results without duplicating or interfering with the normal activities of the various distinctive branches of the industry. Cooperation with the proper existing agencies in the industry is at all times maintained.

The American Construction Council is thus unlike any other organization representative of a great industry. Although assuming responsibility for public service of the highest importance it is not even by implication a quasi-governmental undertaking. Conversely, although private in the inception of its organization and personnel, it is not operated for private profit except as such profit may be measured in terms of economies effected and automatically distributed to every construction interest and to the public.

The activities of the council are educational and directed toward the promotion of better relationships rather than actually administrative in nature. At the same time, the

affirmative action of the council in appropriate fields receives due emphasis, although in the final analysis its relations to the various branches of the industry are of an advisory nature. For example, it has a special committee, fully representative of all legitimate interests, appointed to make a survey of conditions pertaining to building construction of inferior quality and unsound financing, to recommend correctives where deemed necessary, and in general to further the principles of better building. All elements of the industry are cooperating in this work.

If time secures its permanency the council will be a monumental contribution to the field of cooperative relations in industry.

#### LOCAL BUILDING CONGRESSES

The local conception of the same fundamental idea lying back of the American Construction Council is found in the various local building or construction congresses in a number of important construction centers of the country. In addition to embracing the same fundamental idea of bringing together all interests affecting construction in each locality just as the national council does nationally, these local congresses handle administrative matters such as the actual conduct of apprenticeship schools and the voluntary submission of commercial disputes to arbitration and the like. Thus the national council and the local congresses supplement each other and operate in cooperation with each other.

Among the first of these are the ones in New York City, Boston, Philadelphia, Oregon, and New Jersey State, some of which date back before the actual organization of the national council. St. Louis, Denver, Omaha, and other cities have since taken steps to organize such local congresses. Handling both educational and administrative matters affecting their respective localities, these congresses are doing much valuable work on specific problems as well

as in the promotion of better relationships, and as the local manifestation of the same general movement represented by the national council, they constitute an integral and immediately responsive part of this significant experiment in cooperative relations in industry.

#### GOVERNMENTAL ACTION ON COOPERATIVE RELATIONS<sup>1</sup>

Plans that embrace phases of workers' representation and joint conference but which are based essentially upon governmental action with compulsion in the background rather than upon the voluntary action of employers and workers should be considered in their bearing upon cooperative management of labor relations. Among these are the National Industrial Council and the Trade Boards in England, the arbitration laws and trade boards in New Zealand and Australia, the Swedish Industrial Court, the Canadian law providing for governmental investigation of disputes in essential industries before the exercise of force is resorted to, and the United States Railroad Labor Board.

Such plans as the German Works Council and the French "Superior Labor Council," inaugurated by governmental action, should also be noted in this connection in so far as they involve cooperative relations between employer and workers.

Likewise, the joint committees in the United States Post-Office Department merit attention.

#### GENERAL STANDARDS FOR PLANS

Certain guiding principles or standards that should be recognized in any plan of cooperative management have been defined through experience and may be set forth in summary form.<sup>2</sup> The exact machinery for attaining these

<sup>1</sup>For extended discussion of the history of governmental action on the control of labor relations, see Chapter X.

<sup>2</sup>It is estimated that there are over 700 plans in the United States involving to a greater or less degree the various types of joint dealing mentioned in the foregoing pages.

standards, it should be noted, will vary to meet conditions in different cases and cannot of itself be standardized. These principles may be given as follows:

1. The voice of the workers should be real.
2. The movement or plan should be, to a substantial degree, a growth from the bottom up and not superimposed from the top down.
3. The workers' form and degree of organization and representation among themselves must represent their own free choice.
4. The contact should be direct between the workers and employers—the parties of first interest.
5. The specific plan of administration should be agreed upon between both sides and determined according to the requirements of local conditions.
6. Both employers and workers through properly certified representatives of duly organized bodies should have the right of initiation of matters for consideration through the regularly established channels.
7. All parties should have an absolute guarantee of independence of action in the performance of their duties in the administration of the plan, and they should not be discriminated against on account of any action taken by them in their representative capacities. There should be no discrimination against any employee because of race, political or religious affiliations, sex, or membership in any labor organization or other lawful associations.
8. Specific agreements made under any plan should be subject to revision when changed conditions justify, but not oftener than certain definitely stipulated minimum periods of time unless by unanimous consent of both parties in specific cases.
9. Major agreements entered into by the duly accredited representatives of the interested parties should have legal

status. Said agreements should be formally recorded on state record.

10. All matters requiring adjustment should be settled through regularly established channels of candid discussion and peaceful negotiation and adjustment without resort to lockout, strike, boycott, blacklist, or other such methods, governed at all times by the guiding policy that the interests of all parties require the settlement by peaceful methods of matters pertaining to human relations in industry.

11. All matters requiring adjustment should be settled in so far as possible at their source without the exercise of appeal except as a last resort.

12. Individual initiative and private enterprise in industry with the right of local control should be recognized, and at the same time machinery for safeguarding the common good should be established. Accordingly, the individual plant or production unit in industry should be the basic unit of development and control, and the handling of matters of local interest should center around voluntary association of employers and workers of the given production unit, with due provision for the active participation and protection of the other interests involved. Rotation of employee representatives so that the rank and file of workers may be kept fully and directly informed is desirable.

13. In case of matters directly affecting the interest of the general community, proper provision should be made for the publicity of appropriate facts.

14. Appropriate bodies of appeal of local, community, and national jurisdiction where the scope of the industry justifies, mutually agreed upon, should be established as agencies of final adjustment on arbitrable matters.

15. The plan should deal with all matters pertaining to terms and conditions of employment and labor in the indus-



try, and as such should deal as far as possible only with matters of policy pertaining thereto; but this provision should in nowise limit its regulative or judicial powers.

16. Appropriate provisions should be made for withdrawals from, and amendments to, the plan.

#### INTRODUCING A PLAN OF COOPERATIVE MANAGEMENT

No set rules can be given in detail for the procedure to be followed in introducing a plan of cooperative management. There are several points, however, that the results of practice show to be necessary, and it is well to emphasize them in this connection. They may be briefly defined as follows:

1. *The workers should enjoy active and full participation in working out the plan.*

2. *The procedure should be from the fundamental to the accessory.* Begin with the simple and necessary and let the remaining points develop according to the dictates of usage. Matters of first importance should be adopted at the start and others allowed to develop as circumstances warrant.

3. *The plan should be made a vital factor in management from the very start and should be kept alive through its own activity.*

#### GENERAL LIMITATIONS OF ANY FORM OF MACHINERY

Sometimes the opinion is held that one particular movement or plan, such as the National Industrial Council, or the trade agreement or a national council for industry as a whole is the goal towards which all industry should rightfully strive and that any particular movement is always to be judged accordingly. The form of organization that the processes of cooperative dealing should take in any given instance, however, depends on many factors—the interlocking nature of the various occupations in the industry, the characteristics of the various localities affected, the

nature of the different branches of the industry, and the like. The extent to which centralized authority or outside regulation or control should enter must also be considered in light of the nature of the industry as a whole—whether it be a public utility or an essential industry upon which depend the other industries of the nation. Under competitive enterprise in industry, furthermore, there is a point beyond which the active parties to industry would seemingly not be justified in delegating control to outside parties, so long as the public's interest is not jeopardized.

Experience indicates that there is not, nor ever will be, any one plan either of cooperative management or of the other phases of labor administration either as a fixed scheme for any one plant or as a standardized plan for business or industry as a whole. It cannot be emphasized too much that it is not the particular form that these plans take, but the spirit back of them, that governs. Their success or non-success depends upon those who participate in them—the attitude and education of the management and minor officials, on the one hand, and of the workers, on the other hand.

#### THE LEGITIMATE INTERESTS OF THE COMPANY COUNCIL AND LABOR UNION MOVEMENTS DO NOT CONFLICT

One of the biggest administrative issues in placing the control of industry on a cooperative basis is the question of harmonizing the so-called "company union" or works committee movement with the labor union movement as such. Thus far, sometimes through unsympathetic dealing and sometimes through lack of complete understanding on both sides, these two movements have often come into active conflict with each other. The immediate issue centers around the question of internal or external representation on the part of the workers. As previously pointed out, there are local interests within the plant than can best be dealt with by those within the plant and in daily contact

with conditions there, and also more general interests that should receive consideration on a broader scale. The legitimate interests of the two movements do not conflict. Both are justified in their own sphere of activity and should aid and abet each other rather than being mutually exclusive. Cooperative management, however, will never attain its full degree of usefulness so long as it is looked upon as a means of fighting or undermining the labor unions. The standards previously suggested for guiding principles in cooperative management, would, it seems, furnish a satisfactory basis for meeting the requirements of each movement, as the workers under these provisions have the right of free choice in determining their form and degree of association and representation.

NOTE: Because of the close relationship between the subject-matter of this chapter and the preceding one, references covering the field of both are combined on page 81. For references to specific plans, see extended bibliography in Appendix.

## VIII

### THE LABOR UNION—AN INTERPRETATION

Labor unions a fact in industry. Power of unorganized labor. Labor unions a form of labor's struggle for industrial enfranchisement. They represent a phase of an organic change in industry. The underlying causes of labor unionism. Labor unions and class consciousness. Types of labor unions. Methods of dealing by labor unions. Limitations of labor unionism. Possibilities of labor unionism.

LABOR organizations are a *fact* in industry today. Throughout the industrial nations of the world substantial groups of workers, in some form or other, have formed combinations to further what they have believed to be their common aims. While their particular type of organization or form of expression may have changed from time to time, yet when one organization has changed or lapsed, it usually has developed into or has been supplanted by another frequently more influential and effective. The significance of this change, when it has occurred, has not been so much the going out of the one as the coming in of the other. Some of these organizations have now come to assume international as well as national significance, both in size of combination and in influence exerted.

#### THE POWER OF UNORGANIZED LABOR

Often, it should be recognized, workers of kindred thought and feeling have not organized into formal combinations. Their union has been the bond of thought. It has been the linking of minds and feelings—the most powerful union of all, unfettered by rule or form. It is this deeper and broader force that goes to make up labor movements. Through it labor is coming closer and closer together

throughout the world. In it labor's own ideals find hope of fullest fruition. From it, of course, springs from time to time the machinery of organization better to effect these common aims and purposes. But its power is expressed outside of formal organization—in the ballot, in the public square, in the club, in the wayside store, and in the shop. Here its influence is educational, which is the strongest and most permanent power that can prevail in spreading any belief or doctrine.

The *prima facie* conclusion is from present-day industrial development that labor, whether organized or unorganized, has come to hold a more and more commanding position in industry. Its rights are being more clearly formulated. Its powers are becoming greater. Its opportunities and responsibilities are likewise increasing. Sometimes these steps forward are attained through its own efforts, sometimes through employers' initiative, and sometimes through more enlightened public opinion. At times, also, the forces at work are more subconscious than conscious. But the fact of labor's increasing significance cannot be disputed. Therein lies its greatest administrative significance, a fact that requires the most careful consideration on the part of industry.

The issue in many cases is not whether the present managers of industry shall deal or not deal with labor when it wishes in the working out of its aims and aspirations: the question is whether they will deal with it constructively or destructively. What *particular form or degree* this dealing may take at any moment in any given case is another, though of course vital, question. Labor, spurred on by lack of sympathetic dealing, sometimes presses forward in other fields as well, often more radical, according to the conservatives' standards, than it otherwise would be. It tends to adapt and adjust its thinking and methods to what it finds it has to deal with, just as everybody does. This fact helps to explain many otherwise perplexing activities on the part of some labor groups.



THE LABOR UNION A FORM OF LABOR'S STRUGGLE FOR  
INDUSTRIAL ENFRANCHISEMENT

In this connection it is desirable to recognize that neither labor unions nor the more general unorganized labor movements are a separate problem or an end in themselves. They are rather a phase of the world-wide movement toward industrial enfranchisement of workers, toward workers' participation in the management of industry. The labor union, whatever form it may take, is but labor's own method, for those whom it represents, of rendering articulate its voice in industrial control. The union is but a means to the end. The goal itself lies elsewhere—in social status, culture, self-expression and responsibility, wholesome working conditions, more equitable share of the product, and in the other things that go to make for a fuller life at work, at home, and in the other pursuits of mankind, as the labor unionist may view them.

Labor unions are just one of the many kinds of unions. Employers have their combinations. So have the professions, the schools, the religious bodies, and other groups in society. It is only a fair question to ask—may not the fundamental motives lying back of labor unions be just as noble as the motives back of these other combinations to which many other people belong? Have or have not labor unions an equal right? To be sure, there are those among workers or professed workers who would prostitute labor for their own evil ends. But unfortunately there seem to be persons of like kind among the other unions of which we have spoken. These are important angles of the general problem of labor unions for one to bear in mind when he is interpreting labor unionism.

Exactly what is back of the various workers' organizations and movements? Why do they exist? What are the outstanding ones? Just what are their aims and their aspirations? What are their different types of organization and methods? How can they best be dealt with? What is

their significance for industry and the state, now and permanently? These are rather obvious questions, but their answers may not be as apparent, and they are ones which any employer or representative of the public interest must thoughtfully analyze in forming his general attitude toward labor unions.

#### A PHASE OF AN ORGANIC CHANGE IN INDUSTRY

Labor unions are not a new thing. Neither are they at basis a passing phenomenon. They constitute a part of an organic change in the structure of industrial society. As such their development, while it may not seem so at any particular moment, has been comparatively gradual. While, however, the structural nature of labor unionism may be changing as time goes on, the human motives and aspirations back of the changing order itself remain fundamentally the same.

Workers' organizations and movements have arisen from a deep and growing dissatisfaction, however justified or unjustified it may be in particular instances, on the part of labor as to its status in life. All other demands or aims are secondary, or rather go towards the accomplishment of this deep-rooted desire. The opposition of various labor organizations to the so-called capitalistic system is not an attack on capitalism *per se* so much as a supposed means towards this other end.

A recognition of this fact is prerequisite to any workable solution of the many problems that the labor situation now presents to society at large. The goal is to satisfy legitimately those fundamental desires, and at the same time to preserve what is good in labor unions and what is good in the capitalistic system, and not to eradicate either, as some would wish. Neither side may be totally wrong; neither may be totally right. Their future form may be different from their present. But it is not fair nor, as a practical measure, wise for one group to condemn the other side for

striving to attain the same basic values in life that they themselves possess or hope to acquire. It seems that at times both sides today mistake the other's methods or temporary expediences for the ends sought, and the resulting confusion only breeds further conflict. At times, of course, the aims on either side may not be clearly defined, or perhaps may even be perverted. But again this is a natural, or at least not infrequent, characteristic, it seems, of various groups of society.

#### THE UNDERLYING CAUSES OF LABOR UNIONISM

If one goes back a few hundred years one finds facts that help one to interpret the present activities of labor, particularly of organized labor. Workers then were just emerging as a free class in society. One of the important steps in this personal enfranchisement of workers was the development of the gild system. Here the worker was able to conduct his own business as a master craftsman, or to hire out as a journeyman or apprentice and thus sell his service for wages and retain his bodily freedom. The forerunner of this system, in part at least, was the tenant or manorial system, under which the worker was also free but paid for the use of the land or property in money or the goods produced. Under the existing conditions this relationship largely restricted economic freedom. Previously, as a serf or villain, he had made *payment in labor*, without the right of choice, for the mere privilege of living. In one sense, then, both the tenant system and especially the gild system were distinct steps forward. Through them the worker passed from absolute slavery to *freedom of person* and under the latter to personal independence if he became a master craftsman.

But along with the introduction of the gild system certain other changes of very primary importance took place. Through economic pressure, want of free capital, lack of education or managerial ability, or other causes, not all of

the masters and journeymen who had been doing business on their own initiative could become promoters or enterprisers. Thus, in a widely expanding economic order and a fast developing system of a highly capitalized industrial society they could not even hold their previous position of independent enterprise. So they fell back as skilled workers, working *for others* for wages. Other members of society, too, outside of the old guilds proper, were forced by the same general conditions to join the ranks of the wage-earners, while the less fortunate ones became unskilled workers. Thus many actually lost their previous opportunity for carrying on business independently. In time, on the other hand, the outside propertied-class helped to swell the ranks of the promoters.

These changing conditions brought with them for the great mass of workers no control over the conditions of their work, no security of individual employment, no representation in management, no direct share of the product, no sense of ownership in the business, and no effective power through bargaining or otherwise, in regulating their wages. In fact, as individual workers they had no voice, *no bargaining power*, at all. These facts, too, were accentuated by the extensive introduction of machinery and the expansion, massing, and specializing of production, with their by-products of mechanistic and impersonal control.

Thus there was molded, by a combination of events, a distinct wage-earning class. The laboring groups, though bodily free, were in economic and, therefore, in effect, in social dependence upon their employer.

How well the working and employing classes have tried to perform their respective duties throughout the centuries may be debatable. The fact is clear, however, that suspicion instead of cooperation too often has been engendered on both sides, and that in the whirl of industrial development these differences have grown instead of passed away. Industry as a whole, furthermore, has become more and more impersonal, and with it the employer's power,

with the exception of some restrictive legislation and of the power of organized labor, has been absolute, however exercised.<sup>1</sup>

It was in this soil, then, that the seeds of modern labor unions sprouted. Certainly it was fertile soil, and at times abundantly watered. The unions did not develop from the old guilds or any other particular form of organization *per se*. They are a product of the whole rapidly transforming industrial order. The workers' newly found freedom, it has been noted, was only partial. Industry became unbalanced and maladjusted. In the struggle for ever-increasing production, human values became secondary and sometimes forgotten.

It was to regain this balance, in so far as it had existed, and to develop further these human values that labor unions came forth. Sometimes the unions have been badly led or of unenlightened personnel and have gone astray. Now and then, no doubt, some of them have not been clearly conscious of the most desirable ends. But nobody becomes responsible without the opportunity to assume and to exercise responsibility. Need we wonder that some workers, with these traditions of industry back of them, with no means of learning the facts of business management, and with no apparent outlook for the better in view, have come to question the whole industrial system as resting on false foundations, and that at times some of them even grasp at shadows?

The foregoing facts throw light on the accusation that labor unions create class consciousness. At times individually and for certain groups this accusation is no doubt true. But *en masse* class consciousness has been forced upon labor by the trend of modern industrialism. It is to wipe out this class consciousness and to gain equality of industrial citizenship that labor in its truest sense is striv-

<sup>1</sup>For detailed history of labor unionism see selected references at close of this chapter. The first trade union on record in America was a shoemakers' local in Philadelphia in 1702. The first federation of unions of various crafts in this country was in New York in 1833.



ing. Its attitude toward any given system or group within society depends in part, it would seem, upon the treatment it receives by that system or group. Up to the present it has been forced, by the very nature of things, as a general proposition to be militant.

Surely labor itself is not solely responsible for the labor unrest today. If we attempt to assign the blame to any element or group within society, we must place it mutually upon the shoulders of all elements in society and upon the general public attitude. What we first need to recognize is that the present differences and difficulties between capital and labor are largely the product of an impersonal, unbalanced, and conflictive order of the past. Then industrial society can proceed to build constructively for the future.

#### TYPES OF LABOR ORGANIZATION

There is no single form of organization that universally comprises labor's activities—no such single thing or entity as *labor* or the *labor movement* or the *labor union*. There are conservatives and radicals, progressives and reactionaries, constructives and destructives. Labor unions, in short, are varied and complex, related and unrelated.

The organized groups of labor have formed themselves into numerous and diverse types of organization. The most important of these types today are the trade union, the industrial union, syndicalism and the Industrial Workers of the World, the "One Big Union," the shop stewards movement, the national guilds, the political labor parties in some countries, and the general economic cooperative associations among labor groups.

Some of the aims of labor organizations are in large degree common to different types. Sometimes, however, there are marked differences in these respects. Certain organizations and movements, moreover, are in fact more political in nature than purely representative of labor

itself. Again, there are certain unorganized movements or developments of thought, which, although backed by definite organizations, cannot be ascribed to any single one of the several types of combinations just mentioned. Some of the most notable of these movements are nationalization of essential industries, abolition of the wages system, direct action in industry, initiative and referendum, and attacks directed toward the overthrow of the entire capitalistic system. But these movements are not characteristic of many labor groups and do not represent at all the view-point of some of the dominant labor movements. Each type of movement and organization must be judged according to its own merits.

*The Trade Union.* In many respects, the trade union is the most significant type of organized labor at this moment of industrial history. In the first place, it is the most extensive type throughout the world. Then, too, it has proceeded on the whole with less radical departure from the more strictly industrial field of activity, particularly in America. It has also given fuller recognition to the place of capital in industry and to the wages system than many of the other types. Its methods of dealing have usually been more conservative and constructive in nature. It may therefore be taken as a type for an interpretation of labor unionism today.<sup>1</sup>

The American Federation of Labor is representative of the organization and ideals back of the trade union type and at the same time representative of the more conservative developments of this movement. In nature of organization, it is essentially a federation of unions, as its name implies, comprising both national and international unions.

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<sup>1</sup>The membership of "trade unions" in 30 leading countries, in so far as figures were available, was placed by the *International Labor Review* at 16,152,000 in 1913; 42,040,000 in 1919; and 48,600,000 in 1920. These figures may include other types of unions in some instances besides "trade unions" in the stricter sense. See *International Labor Review*, July, 1921, p. 78, and December, 1921, p. 53.

While it is organized essentially on the trade union basis, it has industrial unions in its membership, notably the United Mine Workers of America.

A chart follows on the next page indicating the membership for each year since 1881, up to and including 1924—44 years. In addition, another chart (see page 118) has been prepared showing the manner the American Federation of Labor is organized, commencing with the local unions of the international organizations as the source from which all funds are secured to carry on every activity in the labor movement. Local unions of the national and international organizations and the local unions affiliated direct with the American Federation of Labor, constitute the state and city central bodies as well as department councils. The chart shows that there are 32,157 local unions in the 107 national and international unions and 458 local trade and federal labor unions directly affiliated to the American Federation of Labor, with a paid-up and reported average membership of 22,755 for the fiscal year ending August 31, 1924.<sup>1</sup>

The average paid-up and reported membership for the year is 2,865,979. National and international organizations are required to pay only the per capita tax upon their full paid-up membership, and therefore the membership reported does not include all the members involved in strikes or lockouts or those who were unemployed during the fiscal year, for whom tax was not received.

The following is the average membership reported or paid upon for the past 28 years:

Year	Membership	Year	Membership
1897 .....	264,825	1911 .....	1,761,835
1898 .....	278,016	1912 .....	1,770,145
1899 .....	349,422	1913 .....	1,996,004
1900 .....	548,321	1914 .....	2,020,671
1901 .....	787,537	1915 .....	1,946,347
1902 .....	1,024,399	1916 .....	2,072,702
1903 .....	1,465,800	1917 .....	2,371,434
1904 .....	1,676,200	1918 .....	2,726,478
1905 .....	1,494,300	1919 .....	3,260,068
1906 .....	1,454,200	1920 .....	4,078,740
1907 .....	1,538,970	1921 .....	3,906,528
1908 .....	1,586,885	1922 .....	3,195,635
1909 .....	1,482,872	1923 .....	2,926,468
1910 .....	1,562,112	1924 .....	2,865,979

<sup>1</sup>*Report of Proceedings, American Federation of Labor, 1924.*

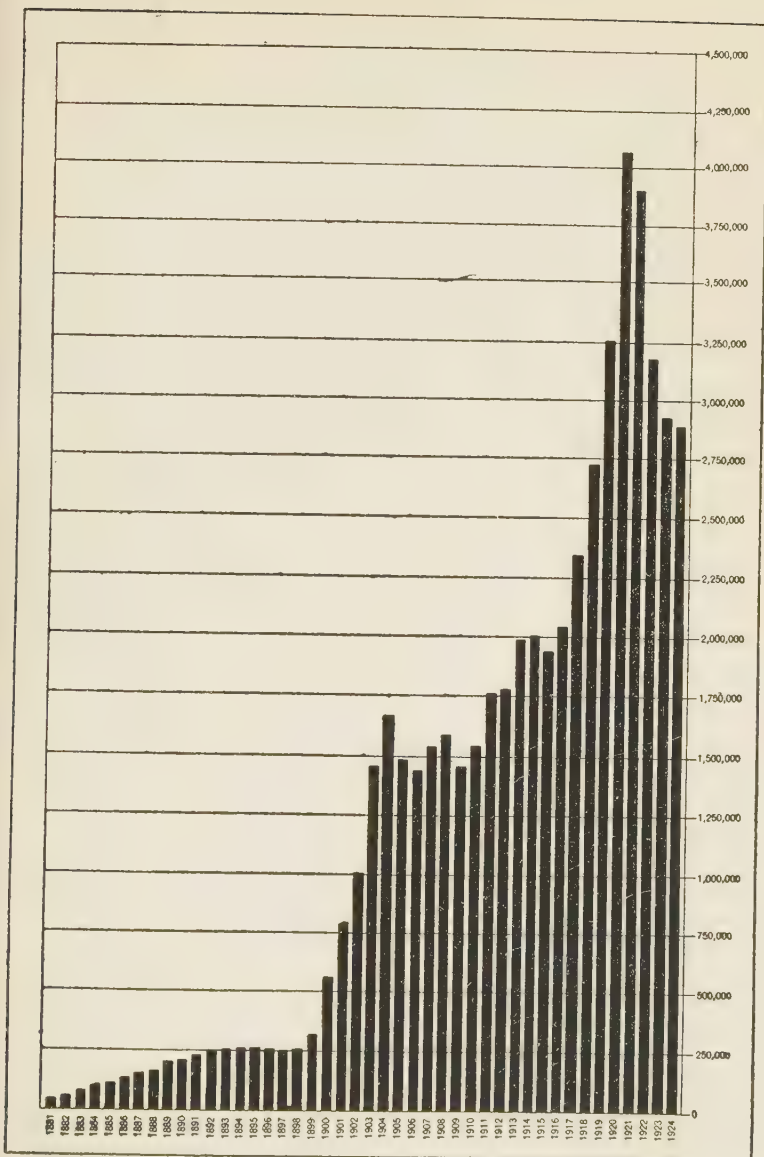


Figure 1: Membership of the American Federation of Labor.

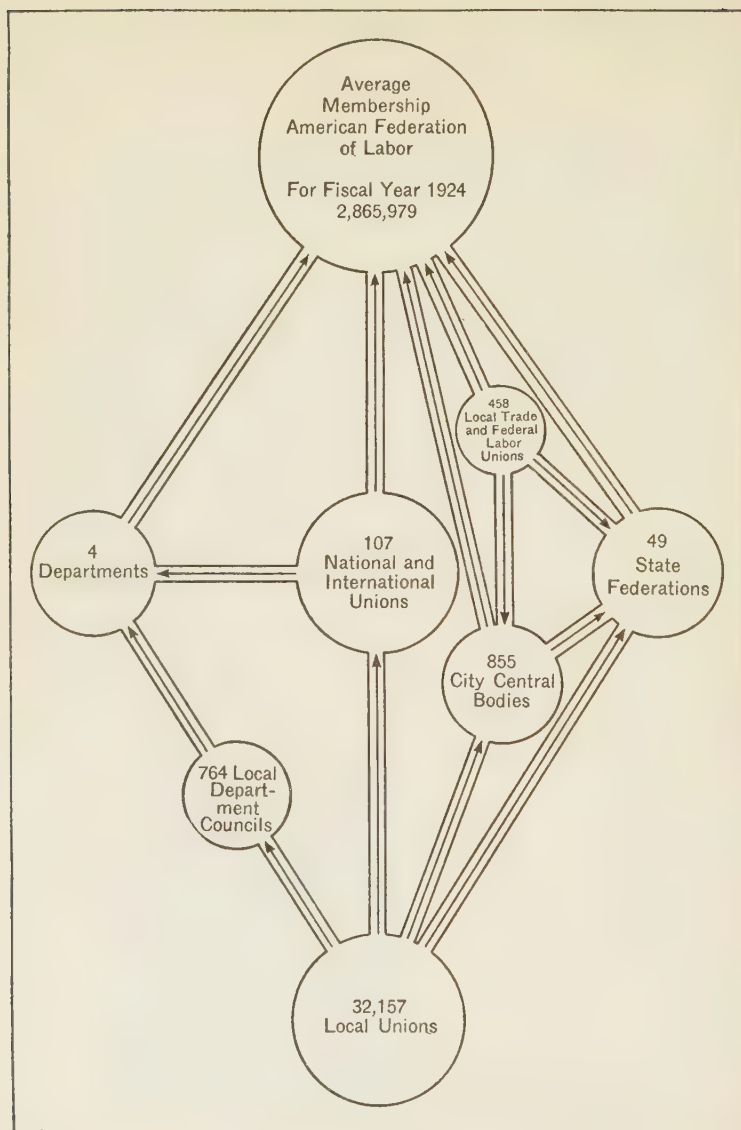


Figure 2: Chart showing distribution of membership of American Federation of Labor.



A survey of the membership of the national and international organizations and the unions affiliated with the American Federation of Labor indicates that because of strikes and unemployment there were at least 500,000 members for whom per capita tax was not paid to the American Federation of Labor. This number added to the 2,865,979 paid-up membership will give a grand total of 3,365,979 members.

*The Industrial Union.* Another dominant type of labor organization is the industrial union, which includes all workers in a given industry irrespective of trade or craft. The United Mine Workers of America and the Amalgamated Clothing Workers of America are typical of industrial unionism in this country. Its basic aims and methods are usually the same as for the trade union, although they are conducted on lines embracing a whole industry instead of separate crafts.

*Syndicalism.* Those who advocate syndicalism strive for political as well as industrial ends by industrial methods, or the strike, aiming ultimately at control of industry by the workers. Syndicalist labor promotes sympathetic strikes and does not favor trade agreements. It has reached its greatest proportions on the continent of Europe. In this country the Industrial Workers of the World are the chief exponents of this industrial creed.

*Shop Stewards.* The shop steward system is not so much a separate form of unionism as a supplementary type of industrial or trade union administration. Under it each shop has a single representative of all the unions who have members working in it to care for the collection of dues and other internal matters of interest to the unions. This movement has reached its greatest development in England.

*National Gilds.* The national gilds represent one of the most definite activities of labor in the direction of entrepreneur or promoter. They are limited, however, in that while they have assumed the part of employer and manager in addition to guaranteeing the labor supply for the enter-

prise in question they have not assumed the burden of furnishing the capital. Thus far they have reached only an experimental stage. Broadly speaking, this movement aims at self-government of industry by workers with government ownership. The British building gilds are an outstanding illustration of an endeavor to promote the gild system.

*Political Labor Parties.* Labor unions have organized in some countries into separate political parties for the purpose of furthering labor's aims through governmental control. The British Labor Party is the most notable instance of this type. The American labor movement, as represented by the American Federation of Labor, has rigidly avoided forming a separate labor party.

#### METHODS OF DEALING

Labor unions employ various methods of dealing. The *strike or the threat of strike*, as the case may be, is one of these. The "right of strike" is held sacred by organized labor. In the past, labor has claimed it as its most effective and in some cases only weapon. Labor feels that the traditions of industry have compelled it to exercise its utmost efforts to preserve this right, as it regards it. This belief is a part of labor's psychological make-up, as well as an economic principle, in its own judgment, to which it holds. Recognition of these facts is necessary to an understanding of labor's attitude regarding the strike. It is only just to labor to recognize that the strike is supposed to be applied only as a method of last resort. Conservative labor prefers peaceful methods.

Within the American Federation of Labor, for example, the power to call a strike and call off a strike is carefully regulated and controlled by the particular trade union in question and especially by the local and district councils of related unions. Contrary to popular opinion, the American Federation of Labor itself has no authority except moral

suasion and economic pressure. These forces, of course, can be exercised so as to be powerful. That this control is rigidly applied on occasion is evidenced by the control of outlaw strikes and the expulsion from the Federation in the past of unions conducting such strikes or other unsanctioned practices.<sup>1</sup>

The strike is at best a negative method. But when conservatively employed it has been used as the basis for winning more wholesome conditions and terms of employment and a better status in life. Hence, although it may at times have been temporarily destructive, it has often brought ultimate good. In the past, however, some labor unions have at times made unjustified use of this method of dealing.

Labor also employs the methods of *conciliation, mediation, and arbitration*. They may be constructive measures of dealing if employed before interference with production

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<sup>1</sup>The *Proceedings* of the American Federation of Labor convention for 1922 shows 80 central bodies, 128 local trade unions, and 74 federal labor unions suspended (p. 28). Following is the text of resolutions in this regard passed by the executive council of the American Federation of Labor on the outlaw strike in the New York Printing Trades in 1919.

WHEREAS, it has been brought to the attention of the executive council of the American Federation of Labor, at a meeting held in the city of Washington, by representatives of the five international unions of the printing trades, namely, the International Typographical Union, the International Printing Pressmen's and Assistants' Union, the International Stereotypers and Electrotypers Union, the International Photo-Engravers' Union, and the International Brotherhood of Bookbinders, that a secession movement had taken place in some of the printing trade unions in New York City; and

WHEREAS, this secession movement in New York, being especially local Printing Pressmen's Union No. 51 and local Press Feeders' Union No. 23, is a menace not only to the International Unions in the printing industry in that jurisdiction but is also a cause for untold injury to the men who have been so grossly misled; and

WHEREAS, the American Federation of Labor has at all times condemned secession wherever or whenever it took place, for the reason that it not only menaces the organizations which are component parts of the Federation, but also tends to discredit the organized trade union movement of the entire country and inflict great injury upon the workers of our country, besides proving treacherous to the cause of the organized labor movement of our country; and

WHEREAS, it is the firm conviction that the general membership of the unions named are being grossly misled by those whom they are following and who seem to be mainly interested in the disruption of the International Unions; therefore be it

RESOLVED, that the executive council of the American Federation of Labor not only regrets and disapproves, but condemns the action of the Printing Pressmen's Union No. 51 of New York City and Press Feeders' Union No. 23 in New York City for their disloyal attitude toward their International Unions for the printing industry in its entirety and to the American trade union movement, and be it further

RESOLVED, that the executive council of the American Federation of Labor appeals to and urges the members of the two seceding unions to return to their allegiance in the International Printing Pressmen's and Assistants' Union at once. To the end that secession of whatever form or character may be stamped out in the printing trade, the executive council of the American Federation of Labor pledges its fullest support to the Inter-

(Footnote continued on page 122.)

takes place. But they usually follow disputes rather than anticipate the causes of the trouble. They are therefore palliative and not preventive in nature.

A more advanced form of dealing is the *trade agreement*. The trade agreement is sometimes the outgrowth of conciliation and mediation, and sometimes of direct and positive negotiation between employers and workers. In its highest sense it is based on the principle of common agreement between employers and workers to govern terms and conditions of employment and work, and is preventive in nature. It anticipates possible difficulties and attempts to remove the causes and hence it is a positive method of dealing. Sometimes it carries with it legal responsibility. But its great bond of force is moral responsibility.

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national Printing Pressmen's and Assistants' Union and the bona-fide local printing trades unions in New York and all the International Unions connected with the printing trades.

Executive Council of the American Federation of Labor:

Samuel Gompers, president, American Federation of Labor.

Cigar Makers' International Union of America.

Jas. Duncan, first vice-president, American Federation of Labor.

Granite Cutters' International Union.

Jos. Valentine, second vice-president, American Federation of Labor.

International Moulders Union of North America.

Wm. Mahon, third vice-president, American Federation of Labor.

Amalgamated Association of Street and Electric Railway Employees of America.

Thos. Rickert, fourth vice-president, American Federation of Labor.

United Garment Workers of America.

Frank Duffy, fifth vice-president, American Federation of Labor.

United Brotherhood of Carpenters and Joiners of America.

Wm. Green, sixth vice-president, American Federation of Labor.

United Mine Workers of America.

Jacob Fisher, seventh vice-president, American Federation of Labor.

Journeymen Barbers' International Union.

Matthew Woll, eighth vice-president, American Federation of Labor.

International Photo-Engravers' Union of North America.

Daniel Tobin, treasurer, American Federation of Labor.

International Brotherhood of Teamsters, Chauffeurs, Stablemen, and Helpers of America.

Frank Morrison, secretary, American Federation of Labor.

International Typographical Union.

Likewise the following quotations from *New York Times*, July 18, 1923, show the nature of the disciplinary action taken by the United Mine Workers of America against outlaw measures:

Declaring that the United Mine Workers of America is not a political institution and "cannot be used to promote the fallacious whims of any political fanatic who seeks to strike down the established institutions of his government," John L. Lewis, president of that organization, today revoked by a telegram the charter of District No. 26, embracing the Nova Scotia bituminous fields, and established a provisional district organization to function in that field under the direct authority of the international union.

The Nova Scotia coal strike was a sympathetic move in support of the steel mill workers of the British Empire Steel Corporation, Limited. This company has a wage agreement with the United Mine Workers applying to its coal mines.

(Footnote continued on page 123.)



*Collective bargaining* is a method advocated by labor. It refers to the collective dealing of organized workers with their employer. As such it is a general term that may assume various forms. It may be positive or negative, constructive or destructive in nature. It may comprise one or more of the other methods. The trade agreement represents collective bargaining of the constructive type—the type usually referred to in the use of the term.

The strike represents collective bargaining of a negative type. Collective bargaining, however, in its strict sense rests upon the relative bargaining power of the two sides, and recognition of common interests does not necessarily obtain. It also is not necessarily preventive in nature.

Labor has employed methods of an indirect nature in dealing with employers. One of these is the *boycott*, which represents the collective effort of a group of workers or of a union, to hinder the production, transportation and sale of materials and goods made by or to be used by non-union labor. In a primary boycott the workers who are parties to the grievance exercise the restrictive action directly, while

It was recalled today that this is the third time in the administration of President Lewis that he has revoked district charters. The first was in 1919, when the charter of District 18, embracing the Northwestern Canadian fields, was revoked because of the allegiance of the officers to the "one big union" idea. Similar action was taken against District 14, in the Kansas coal fields in 1921, for participation in an unauthorized strike. In both instances the districts were reorganized by provisional officers named by the international union.

Other instances of the suppression of outlaw strikes are readily found. During the outlaw railroad strike of 1920 a joint statement issued by the Brotherhood of Locomotive Engineers, the Brotherhood of Firemen and Engineers, the Order of Railway Conductors, and the Brotherhood of Railway Trainmen contained the following: "We insist that the members of these Brotherhoods do everything in their power to preserve their existing contracts, which if abrogated may take years to rebuild. The laws of these organizations provide penalties for members engaging in illegal strikes and these penalties will be enforced."

In the unauthorized newspaper web pressmen's strike in New York City of September, 1923, the International Printing Pressmen and Assistants' Union of North America, the parent body, supported by the American Federation of Labor, repudiated the strike as illegal and in violation of agreed principles. The International then manned the jobs, directed the men to return to work, dissolved the local union, and entered into a direct agreement with the New York daily newspapers.

Similar exercise of authority to maintain agreements has been followed by the national parent bodies of unions in other countries, as in England.



in the secondary boycott they attempt to induce others to take such action.

Another principle advocated by labor, while not strictly a method of dealing with employers, is the use of the *union label*. It represents the trade-mark of a given union and is placed by express permission of the union on a given product the labor on which is performed by members of that union. It is thus a privilege accorded to employers by labor.<sup>1</sup>

Still another principle worthy of note in this connection is the so-called *check-off system*, in which the union arranges with the employer for the dues, assessments and fines upon its members to be deducted by him from their wages or earnings and in turn paid by him to the union. It is thus a privilege accorded to unions by employers which gains union recognition for labor.<sup>2</sup>

Another principle which represents a result or a status rather than a method is that of promoting the *closed union shop*. Under this arrangement only members of the union, if it is operative in the given locality, are employed in a given plant for those trades or occupations represented by the union.

*Picketing* or patrolling of the employer's plant or the immediate vicinity for the purpose of persuading or keeping non-union workers from accepting employment in a plant that the union has listed as "unfair," or for the purpose of persuading the public to withhold its patronage, is a method that has been frequently employed.

A recent development in labor's methods of dealing, and one yet to be found only in the United States, is partici-

<sup>1</sup>The annual report of proceedings of the American Federation of Labor for 1924 states that there are now 51 labels and general cards issued by various organizations and endorsed by the American Federation of Labor, aside from certain other crafts and callings using the American Federation of Labor label.

<sup>2</sup>In the bituminous coal industry over 400,000 miners are directly under the check-off system. For extended discussion, see New York *Evening Post*, August 2, 1923.

pation in control of business direct through the *control of credit* arising out of the operation of banks by labor itself. This represents a type of activity quite different in nature and in potentiality from the preceding ones cited, as it places labor, in so far as it proceeds with this method, in the higher position of control *per se* instead of on the lower plane of conflict or conference to secure a voice in the conduct of industry.

#### LIMITATIONS AND POSSIBILITIES OF LABOR UNIONISM

*Limitations.* The labor union movements, like all human organizations and movements, have their limitations as well as their advantages. Certain of these limitations, it is to be hoped, have been more noticeable during the formative period of the past than they will be in the future. A summary of what are considered union limitations as reflected in experience and opinion throughout industry is given below.

In the first place, there is need in many cases for a more *responsible and educated leadership* linked up with definite responsibility throughout the rank and file of the unions. The strike has been invoked at times when the public interest, as well as the interest of the industry and of the workers themselves, required other and more constructive measures. Agreements have not always been as scrupulously kept as they should have been. Such a policy, of course, aside from the ethical principles involved, is short-sighted, as the more responsible labor leaders themselves recognize.

Labor's demands have at times been concocted rather than based on real grievance. Unwarranted agitation is an instance. Some labor organizers in the past have fostered agitation in order to have something to do and to hold their jobs. In certain cases this agitation, however, has been the means of maintaining negotiations with and, therefore, continued recognition by employers. It has thus been employed to keep the organization intact for

more serious occasions later. Also, it is a means sometimes of satisfying the fighting spirit in the workers, who often have organized themselves on a conflict basis. Though such grievances are sometimes more imaginary than real, they may be sincerely believed. Labor sometimes feels, however, that agitation is of advantage by keeping the situation alive and in securing public attention.

To what degree the need for control and fixing of definite responsibility in the unions should take the form of liability by process of law, in addition to the development of a more responsible leadership, raises many questions.<sup>1</sup> Voluntary negotiation, cooperation, good-will, and moral suasion are the most desirable, and basically, the only permanent methods of dealing. Where responsibility does not exist, however, these become of no avail. The question of union responsibility and good-will cannot be determined apart from the question of employers' responsibility and good-will towards the workers. But certainly organized labor can do nothing more beneficial and of more lasting good to itself than to develop a trained leadership representing real statesmanship and to inculcate from top to bottom a corresponding responsibility on the part of its members.

In the second place, the unions must recognize the rights of the *other interests in society* and the other parties or agents in production. Labor unions have no more right to control *all* of the machinery and product of industry than have employers or stockholders or any other single unit of society. It is true that class consciousness has in many cases been forced upon labor as a group in society, but it is also true that labor at times has exaggerated the differences that existed between capital and labor, and has overreached and abused its rightful claims to redress. Labor must recognize that there are other legitimate and productive pursuits in life, that in the productive process of industry itself labor does not produce all, and that there

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<sup>1</sup>For discussion of labor and the law, see Chapters X and XI.

are other legitimate forms of organization aside from what one special group may think best.

In the third place, the labor unions must realize the difference between possible temporary expediency as opposed to *permanent utility* in such matters as restricting desirable output, limitation of necessary technical training, opposition to well-conceived scientific management, exclusion of unskilled workers from trade unions and opposition to their forming other unions, and contending for equal pay for all workers in the same trade irrespective of proficiency.

In this connection it is well again to recall that frequently labor has felt it was compelled to adopt these expedients for immediate self-protection. Output has sometimes been limited because of insecurity of employment and a real danger of working oneself out of a job, or because of arbitrary raising of the standard rate of production or lowering of the rate of pay as the result of increased individual output. Similarly, the policy of equal pay for all in the same trade has been adopted by labor to bolster up all workers to the standard of a reasonable wage rather than to lower anybody's pay. Labor today is adopting the constructive policy of recognizing the varying degrees of skill in a given craft or trade. Again, in excluding the unskilled worker from membership, organized labor no doubt has acted in part at least on realization of the fact that at times these workers, coming in as immigrants, are uneducated and uninformed even in the rudiments of American life, language, and institutions, and are therefore not equipped to accept responsible membership in unions.

In the fourth place, labor must recognize that there is a limit to the demands that it can make upon employers and upon the public. The effect of continuous demands for wage increases is possibly the most striking case in point. Wage increases are reflected in the price of goods, which in turn, if sufficiently severe and extensive, will tend to add to the increased cost of living.

In the fifth place, labor has not always thought out its own best ends and the ends of society as a whole as clearly as they might be. This characteristic, of course, does not apply merely to labor; but labor, as well as the other units of society, needs to recognize ultimate ends in life and progressive ideals for everybody concerned. It has been too hasty on occasion in assuming insincerity or permanent hostility on the part of all employers. In its zeal, it also has advocated policies whose logical conclusions apparently are not fully conceived. An instance of this is the present-day movement for nationalization of "essential industries." Nationalization logically means government control, if not government ownership, and government control in this sense, among other things, implies compulsory arbitration and anti-strike legislation, to which organized labor voices opposition.

Still another practice of some unions that has been at times quite objectionable is that of excessive initiation and membership dues. Added to these are assessments and fines which are often burdensome, particularly in time of strike. This objection is not made against the proper financing of labor unions, but against the collection of dues, assessments, and fines so extreme that they encroach upon the rightful earnings of the worker. Instances where initiation and membership fees as high as one-sixth or one-eighth of the worker's yearly earnings, to which charges additional assessments may be made, have been reported and when such exist they are obviously unjustifiable. Another practice prevalent in some cases, is the abuse of the method of election of officers of the unions. The point is that the election of union officers should be held according to carefully supervised and commonly accepted methods of election of the duly accredited representatives of any body politic or responsible business organization, so that the free and unhampered wishes of the individual members of the unions may be properly expressed through the ballot.

Organized labor's activities that affect production are



not confined to methods directed ostensibly at employers themselves. Jurisdictional disputes among unions as to what trades shall perform a given type of work are, when they occur, especially disastrous in restricting output. The building trades have illustrated this form of economic waste, which in many trades has been largely eliminated by the cooperation of labor and the other interests.

In the past, some labor unions have been too quick to renounce their own fundamental and constructive methods of dealing, when it has happened that general economic conditions were such that negotiations through these channels were likely not to sustain the union's claims. An illustration of this is the favorable attitude of organized labor toward arbitration and retroactive wage awards during a period of rising prices, which in some cases has been repudiated by these very same unions as soon as prices began to fall. Another illustration is that of labor unions in some cases breaking agreements and forcing up wage scales above agreed scales just because the labor market permits it. There are instances, of course, in which employers and manufacturers have displayed a similar attitude. Such an attitude is not only inconsistent, but detrimental to constructive dealing and the ultimate welfare of those concerned.

These limitations to labor unions are not so much a criticism of unions as of the whole industrial system, which, as previously noted, has become organized on a militant basis. It is to be hoped that they represent labor's difficulties in the past, with faulty leadership at times, rather than its positive faults, and that its obligations for the future will be recognized in cooperation with a similar recognition of obligation on the part of employers.

#### POSSIBILITIES

Labor unionism has brought distinct results of a beneficial nature in the past.

In the first place, it represents a phase in the conscious evolution of the wage-earning class. Properly administered it gives the worker a sense of freedom, security, and self-respect that he too often has not otherwise possessed. It therefore has the same justification in this regard that any other lawfully organized group in society has.

In the second place, organized effort often has been necessary in order for the worker to get the measure of justice to which he is entitled as a partner in production. It has thus helped the heretofore unorganized as well as the organized worker. Some employers, for example, have adopted the domestic or internal plans of collective dealing or have bettered conditions of work only when forced to in order to try to avoid unions. In short, the labor unions have given the worker, from the standpoint of bargaining, group power.

In the third place, through organization the labor union has made possible the development of a trained leadership for the workers themselves in dealing with employers, however adequate or inadequate this leadership may be at times. Thus they have helped to furnish a check on possible intimidation or honest failure on the part of the employer to deal fairly, have in part made up for the worker's lack of education, and have lessened generally the danger of poor bargaining on the part of the individual worker acting for and by himself.

In the fourth place, through coordination of effort and leadership, it has encouraged and fostered general standardization of wages for workers of like groups. This nearer approach to uniformity of wages for kindred groups has had a wholesome effect in offsetting the scuddling of wages and the disastrous competition among some employers in the purchase of labor, although from other standpoints it may be subject to certain disadvantages.

In the fifth place, the labor union has promoted much needed legislation for the working classes, rendered personal aid to the unemployed, disabled, sick and aged, and

in general made for social well-being among its members.

In the sixth place, it has established on the whole a much more highly organized and responsible authority among workers for the employer to deal with. The advantages of such responsible authority on the part of conservative labor leaders in some form or other are becoming more and more apparent.

Finally, labor unions have demonstrated their willingness and ability to cooperate in the promotion of better principles and processes of finance, production, and control. This is significant from the standpoint not only of labor's attitude but of the possibilities of the future development of industry in those fundamental aspects which require the good-will and active, intelligent cooperation of both capital and labor.<sup>1</sup>

In general the new position of labor is seen in the numerous plans for cooperative relations between unions and employers, and in the broader activities of unions themselves in such fields as banking, production, and distribution. At the present writing there are, for example, 23 labor banks in the United States with total resources estimated at well over \$60,000,000, and the movement itself is just about four years old. This movement, by bringing the leaders and the rank and file of labor to a better understanding of business conduct generally and to greater direct participation in industry through the control of credit, represents a force of great possibility for the future.

To the extent that trade unionism or any other type of unionism rests its claims sincerely on basic human rights and desires as the primary object of its existence it, no doubt, will succeed. These rights and desires, of course, must be properly voiced. To the extent that any form of unionism submerges fundamental human desires and rights to a particular form of organization or to narrow self-

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<sup>1</sup>For discussion of labor in relation to scientific management, see Chapter XXV.

interest history has amply shown that it cannot permanently prosper.

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- See also references on trade agreements, and the like, following Chapter VI; also references on Workers' Education, Chapter XII; and references on Scientific Management and Labor, Chapter XXV.

## IX

### EMPLOYERS' ASSOCIATIONS

Employers' associations the counterpart of labor unions. Forms and methods adapted to attitudes and purposes. The handling of individual relations with labor. The handling of collective relations with labor. General considerations on employers' associations.

FROM the standpoint of industrial organization employers' associations, in so far as they are directed toward the control of labor relations, should be considered as the counterpart of labor unions. Since they frequently embrace other activities, however, a complete description of their organization and methods would be beyond the scope of this volume. The discussion here will be confined to phases of their activities that do not readily appear in other text on the problem of control.

Employers' associations, in handling labor relations, may be conducted either to promote collective dealing with labor or to maintain individual dealing. Their attitude may be one in which they take the offensive, one in which they take the defensive, or one in which they endeavor to cooperate actively with labor. Their particular form of organization and methods of dealing are adapted according to their attitude and purpose. They may be local or national in scope and they may be constituted of employers from a given trade or industry or from various industries. Manifestly, their particular forms of expression are varied.

#### INDIVIDUAL RELATIONS

Historically, the earlier employers' associations were usually designed to maintain individual relations with the



employees of each company, and some of the most powerful ones today exist for that purpose. The activities of such associations center around the promotion of the so-called open shop. Frequently, however, what is really aimed at is the closed anti-union shop.<sup>1</sup> The motives lying back of such efforts, of course, may be just as sincere as those lying back of labor unions.

Aside from the usual methods of individual dealing between an employer and his workers on terms and conditions of work and employment, employers' associations have sometimes in the past employed the blacklist. By this method the name of a given worker who has been judged undesirable for employment is referred to all the employers in the group so that he will not be employed by any of them. Intimidation, arbitrary discharge, and inculcation of the fear of unemployment are other methods that have been used in some cases. Still another means adopted to maintain individual relations has been the importation of labor into a community to maintain a surplus or at least an ample supply of labor so as to preclude the development of bargaining power on the part of labor. The securing of an injunction, based as a rule upon the principle of the right of individual freedom of contract, has also been used for like purposes.<sup>2</sup> Promotion of legislation favorable to employers and general publicity to mold public opinion are also employed.

#### COLLECTIVE DEALING WITH LABOR

In many cases, the early growth of collective dealing on the part of employers' associations with labor was of a conflictive nature. With their position sometimes offensive and sometimes defensive in character, they have employed various means to achieve their ends. Among these have

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<sup>1</sup>For discussion of these and related terms, see Chapter VI.

<sup>2</sup>For discussion of the application of the law in this connection, see Chapter X.

been the lockout, in which the employers refuse employment to the workers as a group in the hope that they can thereby secure terms of settlement satisfactory to the employing group. At times this has been used along with the employment of strikebreakers to fill the places of the men not at their jobs. Another method has been the threat of or the actual attempt to introduce the "open shop", unless the employers' terms are agreed to by labor. Many of the means used to maintain individual relations have at times been utilized in this connection, as, for example, the injunction and the importation of labor. Now and then employers' groups are found that still conduct their dealings with labor on this conflict basis.

Employers' associations, however, have developed co-operative methods of dealing with labor. The making of trade agreements with labor, which has gained much headway the past few years, is an illustration of this type. Frequently such agreements provide for the settlement of any differences by conciliation, mediation, or arbitration. These agreements may go farther and provide for regular conference bodies or councils with equal powers between employers and labor, as already noted.<sup>1</sup> An illustration of a statement of purpose of an employers' association designed to deal on a peaceful and constructive basis with organized labor is found in the following:

#### THE OBJECTS OF THE ASSOCIATION SHALL BE

1. To provide a voluntary association of employers through a central body to deal with labor relations in the industry.
2. To promote just and equitable relationships between employers and employees in the industry.
3. To promote continuity of work and employment.
4. To assist in the making of agreements between employers and employees on labor relations.
5. To promote the faithful observance of agreements between employers and employees.

<sup>1</sup>See Chapters VI and VII.

6. To encourage the proper training of apprentices and otherwise to promote the development of an adequate and effective labor supply for the industry.

7. To promote the settlement of labor and trade disputes by peaceful methods.

8. To encourage the formation of trade associations.

9. To promote the general welfare of individual members, affiliated associations, and the industry as a whole.

10. To promote recognition of the fact that fundamentally the interests of workers and employers and the public are essentially identical, and to safeguard the industry from any action to control or restrict trade or prices.

#### GENERAL CONSIDERATIONS

Organized groups of employers offer both limitations and possibilities of great good. When conducted merely for private gain irrespective of the rights of labor or of the public they are, as any organization under such circumstances is, a burden upon industry. Sometimes employers' associations, acting under the influence of one or more dominant personalities, have approached this kind of restricted conduct, for these associations, just as labor unions do at times, now and then fall into the control of leaders who do not represent the most constructive purposes. The true measure of the acts of the employers' group in these situations, however, is not as readily determined as similar acts of the unions because they can frequently function with less visibility than the unions and do not receive as great publicity on their acts. From the very nature of their position in industry they have also been able to act with greater appeal as protectors of the public interest, but this appeal *per se* has been becoming less and less effective.

The development of industry, however, has brought more and more into the ascendancy the constructive type of employers' associations. It is now recognized that these associations can perform, and are doing so, a valuable service not only to their particular industries but to the public in

helping to establish stability in wages and conditions of employment for comparable work. Through promotion of research, improved methods of production and reduction of costs and exchange of legitimate trade information they make for the good of all parties concerned. Recognition of this principle is found in a recent decision of the United States Supreme Court granting much wider powers to trade associations than heretofore existed.<sup>1</sup>

<sup>1</sup>Decision handed down June 1, 1925.

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See also publications of such organizations as the National Manufacturers' Association, League for Industrial Rights, National Industrial Conference Board, and so forth.

## X

### LABOR LAW AND ITS INTERPRETATION

Law in the control of labor relations in many ways indeterminate. Has two forms of expression: (1) legislation, (2) interpretation of the law. Legislation as to individual relations on: (a) hours and age, (b) wages, (c) conditions of work, (d) unemployment. General legislation on combination and collective bargaining. Legislation on government action in prevention and adjustment of labor disputes: (a) foreign, (b) individual states, (c) Federal Government. The interpretation of the law on: (a) individual relations, (b) collective relations. Application of the law of conspiracy. The law of equity. Law of the labor contract. Legal responsibility of labor unions. Divided court decisions. Federal jurisdiction. Class legislation.

THE application of law as a means of control in labor relations has been in many ways indeterminate. This is true with regard both to legislation and to the interpretation of the law. Relatively few of the principles thus far evolved, moreover, are at all generally applied. The application of law to the control of these relations is in many respects among the newer fields of special legal control, but yet certain more or less definite principles have been evolved.

#### TWO FORMS OF EXPRESSION OF LEGAL CONTROL IN LABOR RELATIONS

Legal control assumes two forms of expression: (1) *legislation*, and (2) *interpretation of the law*.

##### I. LEGISLATION

The history of labor legislation shows a general tendency for the state to regulate affirmatively the more basic factors of human activity in industry that involve the social well-being of its members. A brief résumé of some of the



most noteworthy legislation affecting labor relations will indicate the trend of these developments.

#### HOURS, WAGES, AND WORKING CONDITIONS

(a) *Hours and age.* The first formal factory law in modern industry was an act passed by the English Parliament in 1802, which, among other provisions, limited hours of work for children in the British cotton mills to 12 a day. Previously no government had enacted legislation of special application to labor, labor's rights being adjudicated under the laws of individual rights, property rights, contract, conspiracy, and the like, with no legal recognition of the distinction between labor as a commodity and labor as a human being.

The first law of this kind in America was that passed by Massachusetts in 1842 which established a 10-hour day for all children under 12 years of age who worked in factories. In 1903 Illinois passed a law prohibiting the work of children under 14 years of age and permitting only 8 hours and no night work for children 14 to 16 years of age. Forty-four states and the District of Columbia prohibit night work for children. Thirty-six states and the District of Columbia now have laws fixing a maximum 8-hour day for children. Some states further limit the work-week, which regulation certain states apply most extensively during the school year. All but two states have laws setting a minimum age of 14 to 16 years for factories and stores, but 19 of these have important exemptions. Generally speaking, laws limiting the hours of work of children and prohibiting night work are the most extensive of hour legislation, and are spreading. Agriculture and domestic service are not covered by these laws. In 1916 and 1919 the Federal Congress passed child labor laws which have been held unconstitutional by the United States Supreme Court, and Congress, in 1924, passed an act submitting the

matter of a constitutional amendment on child labor to the states.

Women are frequently restricted by law from certain kinds of work, and the occupations covered by restrictions are increasing. The earlier laws on restriction of hours were of uncertain status, the Illinois courts in 1895 deciding against the legality of restriction of hours of work for women, but the Supreme Court of the United States in 1908 held the Oregon law restricting the hours of work for women constitutional. It rendered a similar decision on the California law in 1915 and on the New York law in 1924. Nearly all of the states have laws limiting the daily or weekly work of women. Some have eight- and nine-hour laws but the majority ten hours. Recent reports, however, give only eight states as limiting by law the work of women to eight hours a day.

Legislation for the limitation of hours of work in private employment for adult male workers has, however, been of somewhat doubtful status in this country. In 1905 the United States Supreme Court set aside a statute providing a ten-hour day in New York, but in 1917 it upheld the Oregon ten-hour law. The Federal Government has provided eight hours for all its employees. In various states such legislation as that providing for the eight-hour day in mines has been passed; compressed-air workers are protected in several states. Oregon and Mississippi have ten-hour laws for men in factory employment. Where occupations are especially dangerous to the workers or others, as for workers in the handling or dispatch of railroad trains, most states have restrictive laws for men, but most of these still permit a great number of hours per day.<sup>1</sup> The Adamson law passed by Congress in 1916 established eight hours as the standard for pay for railroad employees. Transportation and mining thus remain the two chief in-

<sup>1</sup>For extended discussion, see Commons and Andrews, chap. v; Leifur Magnusson, "Comparison of Foreign Eight-Hour Laws," *U. S. Monthly Labor Review*, March, 1920, pp. 184 ff; John B. Andrews, *Labor Problems and Labor Legislation*, 1922, chap. iii.

dustries in which the working period of men is governed by state or federal law.

A recent development is legislation providing for one day of rest in seven. Massachusetts, New York, and Wisconsin have especially effective laws of this type. The post-office employees have a six-day week provided by state or federal law.

(b) *Wages.* Australia developed the first minimum wage law with independent machinery for its administration in 1896, in the province of Victoria, although New Zealand two years previously in its provisions for compulsory arbitration of labor disputes had given her district conciliation boards authority to fix minimum wages. Under the operation of this law the wage boards set the smallest sum that could be legally paid to the worker in a number of trades in which the wages were especially low, and in 1900 it was extended so as to cover any occupation. It was soon adopted by three other Australian states. Great Britain passed a minimum wage law in 1909, styled the "Trades Board Act," which set up machinery to be applied to occupations paying especially low wages, and this law in 1918 was extended to cover more occupations. A number of Canadian provinces and Norway and France, for example, have similar laws.<sup>1</sup>

In the United States one of the first laws affecting labor was the so-called "Mechanic's Lien," dealing with wage payments, which was passed in New York in 1830 and gave the worker the right to enter suit for his wages from the contractor against the value of the building or land on which he was employed, this claim generally being given first preference above all other claims, even those of the contractor. Such liens were later made to apply to many occupations in various states, especially those on public works, railroads,

<sup>1</sup>For more detailed discussion of these developments as well as wage legislation and its application in the United States, see article on "American Minimum Wage Laws at Work," by Dorothy W. Douglas, in Commons, *Trade Unions and Labor Problems*, second series. See also Commons and Andrews, *Principles of Labor Legislation*, chap. iv.

and the like.<sup>1</sup> The rule has now been extended so that any workman who has had a part in creating or preserving the life of a commodity thereby gains a lien on that commodity.

The first minimum wage law in America was an act by Massachusetts, in 1912, affecting certain classes of workers and providing for voluntary acceptance by the employer of the commission's recommendations.

Contrary to the tendency in other countries, minimum wage legislation in the United States has covered only the labor of women and children.<sup>2</sup> During the first three or four years in which minimum wage laws were enacted in this country, the constitutionality of such legislation was questioned, being decided in the affirmative by the United States Supreme Court in 1917. About a dozen states in this country now have laws on minimum wages for women and children. The United States Supreme Court decision of 1923 annulling the minimum wage law in the District of Columbia has now caused an attack upon several state laws.

Legislation in general has been of two kinds regarding the agency for the actual determination of wages: (1) that in which the state sets a flat rate by statute, and (2) that in which the state sets up a board or commission usually representing employers and employees and the public, which sets the minimum wages for various occupations after investigation. The extent to which the cost-of-living basis has definitely entered by statute into the wage calculations has been variable.

Enforcement of the law is sometimes provided for by giving the right to the worker to sue for the unpaid wage or by providing for a fine and sometimes imprisonment in

<sup>1</sup>See Andrews, J. B., *Labor Problems and Labor Legislation*, 1922, pp. 36 ff.

<sup>2</sup>Kansas, in connection with its Court of Industrial Relations, in effect undertook to establish a minimum wage for adult males. See *U. S. Monthly Labor Review*, March, 1920, p. 215. The wage provisions of this law were to a substantial degree held unconstitutional by the United States Supreme Court in 1923. See *U. S. Monthly Labor Review*, July, 1923, p. 208; *American Labor Legislation Review*, September, 1923, p. 196.

case of a delinquency by the employer or by merely providing for publication of the name of the employer. Oregon is an illustration of the more drastic form of legislation in this regard, Massachusetts, of the more conservative.<sup>1</sup>

In general, laws on wages, until recently, have had more to do with the time, method, and security of payment, and such laws are now of much greater extent and certainty than the minimum wage laws. Approximately two-thirds of the states now have laws relating to the frequency of payment. By Act of Congress, claims for wages, salaries, and money deposited as security by employees cannot be voided by bankruptcy proceedings.<sup>2</sup>

(c) *Conditions of work.* In 1886 Massachusetts passed a law making the reporting of industrial accidents obligatory, and in 1887 the same state passed a law requiring factory safeguards. Practically every state in the country now has such laws. In 1893 Congress gave the Interstate Commerce Commission authority over safety on the railroads, and in 1910 the Commission was granted power to determine standards of equipment and to make investigation of train accidents, with public recommendations.<sup>3</sup> In 1911 New Jersey secured the first effective state compensation law. Nearly all states now have industrial compensation laws. So also has the Federal Government for the benefit of its employees.<sup>4</sup>

Massachusetts entered definitely into the field of state administration of labor relations through special agencies by setting up, in 1869, the first state labor bureau in the world, which was established for the purpose of getting

<sup>1</sup>In 1924 the provision in the Massachusetts law requiring the publication in the papers of the names of firms failing to abide by the Commission's decrees was held unconstitutional by the state supreme court.

<sup>2</sup>Reported in *American Labor Legislation Review*, March, 1922, p. 12.

<sup>3</sup>See Commons and Andrews, *Principles of Labor Legislation*, pp. 374 ff.

<sup>4</sup>The extent of this type of labor legislation in America is indicated in the chart on page 380. For discussion of legislation with special reference to social insurance, see Chapter XX.



information on wages, hours, and working conditions. In 1867 it had appointed the first factory inspectors in America.

In 1911 California passed the first law in this country pertaining to occupational diseases. A number of states now have similar laws. The United States Government, through tax measures, prohibits the use of poisonous phosphorus matches. Many states regulate matters of industrial hygiene.

(d) *Unemployment provisions.* Another type of state legislation is found in provisions for long-range planning of public works to relieve unemployment. California and Wisconsin have such laws.

Social insurance is a field that has received very special attention through law and is discussed in another connection.<sup>1</sup>

The foregoing illustrations typify the general trend of development in labor legislation on such matters as wages, hours, and working conditions involving the more particular and concrete facts pertaining to the relations of capital and labor on an individual basis. Until recently the more general and intangible phases of contractual relations between employer and employee, negotiations and bargaining between employer and employee, the handling of industrial disputes, and the like, particularly when those involved collective dealing, have largely been cared for under the general body of existing law on contracts, conspiracies, property losses, and the like. In recent years the law of equity has come to be more and more applied also.<sup>2</sup>

#### GENERAL LEGISLATION ON COMBINATION AND COLLECTIVE BARGAINING

In 1824 and 1825 England repealed its statutes penalizing as conspiracies combinations of labor and collective

<sup>1</sup>See Chapter XX.

<sup>2</sup>See pages 158 ff for further discussion of the law of equity.

action to raise wages which had begun with the Acts of 1720 and 1721 and had reached their peak in the Acts of 1799 and 1800, and gave labor considerable freedom of combination and action. By the Acts of 1871, 1875, and 1906 she progressively conceded broad privileges to trade unions, finally granting "complete exemption from responsibility for damages growing out of tortious acts alleged to have been committed in their behalf."<sup>1</sup>

In the United States the common law of conspiracies remained applicable to labor disputes without special exceptions until the passage of the Clayton Act in 1914, which, amending the Sherman Anti-Trust Act of 1890, declared that the labor of a human being is not a commodity or article of commerce and that labor organizations, not conducted for profit, could not be held *ipso facto* illegal combinations or conspiracies in restraint of trade under the anti-trust laws.

#### LEGISLATION ON GOVERNMENT ADMINISTRATION IN PREVENTION AND ADJUSTMENT OF DISPUTES

(a) *Foreign.* England, by an Act of Parliament in 1896, set up for the first time special administrative machinery dealing with collective labor disputes, repealing the Act of 1824, which had applied only to individual disputes, the Act of 1867, which attempted to introduce the idea of the French industrial courts, and the Act of 1872, which gave to the government certain powers of conciliation. Since that time England has taken various steps, by legislation and otherwise, toward state participation in and support of labor administration. In 1911 a national industrial council for all industry, with representatives of employers and workers, was created, without powers of compulsion, as all of the previous agencies likewise had been. During the war, however, the Acts of 1915, preceded by the Act

<sup>1</sup>Commons and Andrews, *Principles of Labor Legislation*, pp. 92-95 and 123.

of 1914, restricted both individual or collective cessation of work in "controlled" industries. Finally, after amendments to the previous laws, the government, in 1917, through its Ministry of Reconstruction, proposed the Whitley system, voluntary in nature and giving equal representation to employees and employers in national and district councils for each industry with recommendation for works committees similarly composed. Further, machinery, supplemental to existing agencies, was set up in the Industrial Courts Act of 1919, which provided for voluntary abitation with government power of investigation and report.<sup>2</sup>

New Zealand, in its Compulsory Arbitration Act, set up arbitration in a definite and extensive way, which particularly enveloped Australasia. Indicative of this movement was the Act of New South Wales in 1901, the acts affecting various parts of Australia in 1902, 1904, and 1912, and the Queensland Act of 1912. The compulsory features of these acts, however, had certain limitations, as in the case of New Zealand where only registered unions were affected and had the voluntary right of cancelation. Along with the development of compulsory arbitration was the adoption of compulsory wage boards, such as that provided in Victoria by the Act of 1896, which have recently developed along the principles of the whitley councils.<sup>3</sup>

Canada enacted a law in 1907, prohibiting sudden changes of terms of employment and preemptory strikes or lockouts in public utilities and mines by requiring 30 days' notice and forbidding action before a hearing by a

<sup>1</sup>See Chapter VII, page 96, for general description of Whitley councils.

<sup>2</sup>Commons and Andrews, *Principles of Labor Legislation*, pp. 128-136; *U. S. Monthly Labor Review*, February, 1920, p. 41; March, 1920, p. 201; May, 1920, p. 54. In this connection the British Trades Board Act of 1909, extended in 1918, which provided for adjustment of "exceptionally low" wages in certain industries, should be noted. For description of these boards, see *ibid.*, pp. 190-191; Dorothy Sells, *The British Trade Board System*, 1923; Henry Clay, *Trade Boards Fix British Wages*, *New York Evening Post*, June 8, 1922.

<sup>3</sup>See Commons and Andrews, *Principles of Labor Legislation*, pp. 153-168.

governmental commission if it initiates investigation within the 30-day period, the commission having the power to compel the hearing with voluntary award.<sup>1</sup>

France, Germany, Austria, Denmark, Italy, Sweden, Belgium, Rumania, Serbia, Spain, The Netherlands, Switzerland, and Argentina are among the countries that now have legislation providing in some form or other for mediation or conciliation and for voluntary arbitration.<sup>2</sup> Norway, since 1915, has had an industrial court with the power of final adjustment for the jurisdictions covered.<sup>3</sup>

(b) *Individual States.* By an act in 1886, Massachusetts recognized the arbitration and peaceful adjustment of labor troubles as a matter of urgent public policy. This act was the forerunner in this country for later legislation leading into much broader fields than merely wages, hours, and working conditions, and covering the widest relations of employer and employee.

Most of the states in this country now have legislation providing machinery of some kind for the settlement of industrial disputes and many of them have permanent boards of conciliation and arbitration, with investigation compulsory in some cases and permissive in others, and varying provisions for arbitration and enforcement of awards and publicity of facts.<sup>4</sup>

In 1919 Colorado passed a law, amended in 1921, generally similar to the Canadian act, providing for the investigation of industrial disputes, which grants to the industrial commission, among other powers, that of investigation with voluntary award, and prohibits a strike or lock-out prior to or during an investigation or arbitration of a dispute in industries affected with a public interest.

<sup>1</sup>This law has recently been held unconstitutional by the Privy Council of Great Britain.

<sup>2</sup>Commons and Andrews, *op. cit.*, p. 136, with references.

<sup>3</sup>*International Labor Review*, July, 1923, p. 150.

<sup>4</sup>These are in addition to special commissions on minimum wages, factory inspection, and so forth, with power to formulate and administer rules on such matters. See Commons and Andrews, *op. cit.*, pp. 136-138.

Nebraska has passed a constitutional amendment permitting the enactment of laws for adjustment of disputes between employers and employees in any business or vocation affected with a public interest and for the prevention of unfair practice and unconscionable gains in such business pursuits. It authorized the creation of an industrial commission to administer such laws with right of appeal to the supreme court. Texas has a law enacted in 1920 providing against interference with common carriers and making violations heavily penalized. Utah, in its "Right to Work Act," has a similar law affecting occupations in general.

The most extreme development of this type in this country, however, was the Kansas Court of Industrial Relations established by the act of 1920 and providing for compulsory arbitration with compulsory award together with other definite powers of a drastic nature applicable to all industries "affected with a public interest and therefore subject to supervision by the state." It is discussed here as an illustration of this suggested type of control.

The industries declared to be so affected were the manufacturing of food products and clothing, and the accompanying processes; the mining or production of fuel; the transportation of food and wearing apparel or substances entering into it, and fuel; and all public utilities and common carriers as defined by the general statutes of the state. The public welfare was declared to require the continuous and efficient operation of the classes of employment and industries named. Wilful hindering, delay, limiting or suspension of such operation were declared to be contrary to the purpose of the act. The right of individual action of the worker was recognized as was the right to organize and to bargain collectively, while strikes, boycotts, picketing intimidation, and the like, were made unlawful, as were lockouts. The court was empowered to take over and operate industries or work in case production or operation was suspended. The law thus affected both employ-



ers and workers. It was provided that the court may act either upon its own initiative or upon complaint of (1) either party to the dispute, (2) ten tax-paying citizens of the community affected, (3) or of the attorney general of the state. The appeal from the decisions or acts of the court was to be made to the supreme court of the state, from which court also enforcement of the findings of the industrial court issued.

Penalties were by fine or imprisonment.<sup>1</sup>

The wage provisions of this law were held unconstitutional in a decision of the United States Supreme Court handed down in 1923 in the *Wolf* case.<sup>2</sup> The provisions of this law pertaining to hours and other conditions of work have since been held unconstitutional by the United States Supreme Court as infringing upon the liberty of contract and property rights, thus rendering the act generally ineffective. (Decision of April 13, 1925.)

(c) *Federal legislation.* The Federal Government established a department of labor in 1884 which in 1913 was created as a separate federal department. Its functions have to do with problems affecting wage-earners in industry. Its duties are, in the main, research, educational, advisory, and mediatory.

Federal legislation on mediation and arbitration proper, in addition to the Act of 1913 creating the Labor Department and giving it the powers of mediation and conciliation, was epitomized in 1913 in the Newland's Act, which superseded the Erdman Act of 1898, which in turn had repealed the former law of 1888, all of which had reference to interstate commerce carriers. The agencies of adjustment herein provided for, however, did not prove permanently successful, as evidenced by the enactment of the

<sup>1</sup>*U. S. Monthly Labor Review*, March, 1920, pp. 215-6; Commons and Andrews, *Principles of Labor Legislation*, pp. 173-4.

<sup>2</sup>For earlier U. S. Supreme Court decision affecting the Kansas Court of Industrial Relations, see *U. S. Monthly Labor Review*, July, 1923, p. 208; *American Labor Legislation Review*, September, 1923, p. 196.

Adamson law of 1916 and the mediation activities of the Council of National Defense in 1917.

Parallel to these developments was the appointment of the President's Mediation Commission in the fall of 1917, which, acting under the chairmanship of the Secretary of Labor, operated in various industries and emphasized the principle of compulsory investigation.<sup>1</sup> The President's Anthracite Coal Commission of 1902, the National War Labor Board created by presidential proclamation in 1918, and the Shipbuilding Labor Adjustment Board are other instances of official government regulation of disputes by executive rather than legislative action.

Among the other broader phases of federal legislation affecting labor relations are the Act of 1875, making ineffective all legislative measures of any state that would make possible compulsory service to secure the payment of a debt<sup>2</sup>; the Clayton Act, already mentioned; the Contract Labor Law of 1885 restricting induced immigrant labor, amended in 1907 and 1917; the Seaman's Act of 1915, abolishing arrest and imprisonment as penalty for desertion and making certain stipulations regarding the payment of wages to seamen; the Workmen's Compensation Law for government employees, of 1915; the Child Labor laws of 1916 and 1919<sup>3</sup> and the Referendum Act of 1924; the Civil Service Retirement Act of 1920; the Industrial Rehabilitation Act of 1919; and the minimum wage laws for the District of Columbia,<sup>4</sup> and for government employees.

In the United States Railroad Labor Board, set up

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<sup>1</sup>Commons and Andrews, *Principles of Labor Legislation*, pp. 138-149.

<sup>2</sup>*Ibid.*, p. 42.

<sup>3</sup>For U. S. Supreme Court decisions affecting these laws, see *U. S. Monthly Labor Review*, June, 1922, p. 163.

<sup>4</sup>For U. S. Supreme Court decision on minimum wage laws for the District of Columbia, see *U. S. Monthly Labor Review*, May, 1923, p. 134; *American Labor Legislation Review*, June, 1923, p. 131.

For a detailed account of federal labor legislation, see "Federal Labor Legislation," by Lindley D. Clark, *U. S. Monthly Labor Review*, Vol. XIII, No. 4, April, 1921.

under the Federal Transportation Act of 1920, is found an illustration of the exercise of federal control of labor disputes through legislative action in a major industry which from its own nature involves interstate commerce. It is in many respects one of the most significant experiments in the entire field of labor relations. The act itself encourages the policy of direct settlement of disputes by the parties of first interest, employers and workers. The machinery to handle disputes involving grievances, working conditions, and rules is provided for in a general way to further this idea, with definite recognition of organized workers. The Railroad Labor Board is the final body of adjustment and functions with the power of consideration, investigation, and public report but without compulsory award. Disputes can come before it either direct or after failure of adjustment in the lower boards representing employer and workers. The board is appointed by the President with the consent of the Senate and is composed of an equal number of representatives of workers, employers, and the public. Its decisions are reached by majority vote and in cases coming directly before it the vote of one member representing the public is required. The Board thus relies upon the power of moral suasion and the force of public opinion to enforce its awards after hearing all sides to a controversy.

The United States Coal Commission of 1922, while limited by statute to a brief period of life, represents another type of federal action on labor relations and other problems of a given industry through legislation. Its primary purpose was that of investigation of fact and public recommendation without actual participation in the adjustment of disputes. In its broad sense it embodied essentially an appeal to the force of public opinion upon industry itself, after determination of fact. It thus endeavored to fur-

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<sup>1</sup>See *U. S. Monthly Labor Review*, April, 1920; Commons and Andrews, *op. cit.*, pp. 147-8; Edgar J. Rich, "The Transportation Act of 1920," *American Economic Review*, September, 1920, p. 507.

nish governmental stimulus to self-regulation by industry through the power of an enlightened public opinion.<sup>1</sup>

## 2. INTERPRETATION OF THE LAW

Court decisions in the field of labor relations largely typify the same indefinite status of labor law as does legislation itself. This is particularly true with regard to variations among the several states, and also to a large degree with respect to federal court decisions. More and more, however, recognition of the principles of public welfare and protection of equality of bargaining between employer and worker are being affirmatively recognized.

Following the development of positive legislation of special application to labor relations, the interpretation of the courts has largely centered around the doctrines of contracts, property rights, individual rights, and conspiracies.

### INDIVIDUAL RELATIONS

Typical of the decisions involving individual relations are the *Holden v. Hardy* case (1898) giving protection to the weaker party in bargaining for employment<sup>2</sup>; decisions requiring wages to be paid in cash (1901)<sup>3</sup>; the United States Supreme Court decision prohibiting enforced labor under the employment contract (1910)<sup>4</sup>; the United States Supreme Court decision on the Seamen's Act (1920)<sup>5</sup>; the United States Supreme Court decision affirming the constitutionality of workmen's compensation laws (1917)<sup>6</sup>; the United States Supreme Court decision on

<sup>1</sup>See *U. S. Monthly Labor Review*, November, 1922, p. 193; *ibid.*, October, 1923, p. 18; *ibid.*, November, 1923, p. 17. The report of this commission has recently been made available.

<sup>2</sup>Commons and Andrews, *Principles of Labor Legislation*, p. 28.

<sup>3</sup>*Ibid.*, p. 33.

<sup>4</sup>*Ibid.*, p. 43.

<sup>5</sup>*American Labor Legislation Review*, June, 1920.

<sup>6</sup>Commons and Andrews, *op. cit.*, p. 398.

minimum wage laws (1917)<sup>1</sup>; the Massachusetts decision on constitutionality of legislation on working hours for women (1876)<sup>2</sup>; the United States Supreme Court decision setting forth the fallacy of the doctrine of freedom of contract between employer and employee when exercised in conflict with the public welfare, in the *Holden v. Hardy* case (1898)<sup>3</sup>; the United States Supreme Court decision upholding the Oregon ten-hour law (1908)<sup>4</sup>; the United States Supreme Court decision, affirming a district court decision in North Carolina, holding unconstitutional the application of the interstate commerce powers to child labor (1918)<sup>5</sup>; the North Carolina District Court decision holding unconstitutional the protective measures regarding child labor based on the taxing power of the Federal Government (1920)<sup>6</sup> which decision was since upheld by the United States Supreme court (1922); and the United States Supreme Court decision against the minimum wage law for women in the District of Columbia (1923).<sup>7</sup>

#### COLLECTIVE RELATIONS

The gradual development toward *definitized* principles of law on collective relations between employers and workers is typified in the Danbury Hatters case on conspiracy (1908)<sup>8</sup>; the Coppage case on the relation of individual contracts and union activities (1915)<sup>9</sup>; the Coronado coal case involving union responsibility for acts of its mem-

<sup>1</sup>*Ibid.*, p. 218.

<sup>2</sup>*Ibid.*, p. 244

<sup>3</sup>*Ibid.*, p. 245.

<sup>4</sup>*Ibid.*, p. 245.

<sup>5</sup>*Ibid.*, p. 336.

<sup>6</sup>*Ibid.*, p. 336, and *U. S. Monthly Labor Review*, June, 1922, p. 163.

<sup>7</sup>See *Law and Labor*, May, 1923; *New York Evening Post*, April 10, 1923, editorial; *U. S. Monthly Labor Review*, May, 1923, p. 134; *American Labor Legislation Review*, June, 1923, p. 131.

<sup>8</sup>Commons and Andrews, *op. cit.*, pp. 96 and 121.

<sup>9</sup>*Ibid.*, p. 121; *U. S. Monthly Labor Review*.



bers, running in the courts from 1914 to 1922<sup>1</sup>; the *Hichman Coal and Coke v. Mitchell* case on picketing (1917)<sup>2</sup>; the *Commonwealth v. Hunt* case on union organization (Massachusetts 1842)<sup>3</sup>; the United States Supreme Court decision of 1921 on the *Duplex Printing Press Company v. Deering et al* declaring secondary boycotts illegal<sup>4</sup>; the New York State decision of 1920 in the case of *Michaels Stern and Company v. Amalgamated Clothing Workers of America*, granting an injunction against a strike to secure unionization and leaving the matter of determining damages open<sup>5</sup>; the injunction granted the garment workers in New York against their employers for violation of contract (1921)<sup>6</sup>; the United States Supreme Court decision, prohibiting importunity in striking (December, 1921)<sup>7</sup>; the injunction against the railroad shopmen in 1922<sup>8</sup>; the United States Supreme Court decision of June, 1923, denying the right of the State of Kansas to interfere with the contractual relationships of employers and employees on wages in such an industry as the meat business on the ground that it was not sufficiently affected with the public interest<sup>9</sup>; and the decision of the United States Supreme Court of April 13, 1925, declaring the Kansas Industrial Court Act illegally enforced compulsory

<sup>1</sup>Commons and Andrews, *op. cit.*, p. 30. Also *U. S. Monthly Labor Review*, July, 1922; p. 145; *Law and Labor*, July, 1922; *American Labor Legislation Review*, June, 1922, p. 113.

<sup>2</sup>Commons and Andrews, *op. cit.*, p. 109.

<sup>3</sup>*Ibid.*, p. 336.

<sup>4</sup>*U. S. Monthly Labor Review*, February, 1921, p. 165.

<sup>5</sup>*Ibid.*, September, 1920, p. 170.

<sup>6</sup>*New York Times*, November 30, 1921; *U. S. Monthly Labor Review*, October, 1922, p. 179; *American Labor Legislation Review*, March, 1922, p. 9.

<sup>7</sup>*New York Times*, December 6, 1923. See further, *Law and Labor*, July, 1922.

<sup>8</sup>*U. S. Monthly Labor Review*, October, 1922, p. 176.

<sup>9</sup>*New York Evening Post*, June 22, 1923; *U. S. Monthly Labor Review*, July, 1923, p. 208; *American Labor Legislation Review*, September, 1923, p. 196.

arbitration by infringing upon the contract rights and property rights of employers and workers.

#### THE APPLICATION OF THE LAW OF CONSPIRACY

Since the doctrine of conspiracy has been invoked particularly with regard to disputes and contests involving collective bargaining as well as the making of trade agreements between groups of employers and unions it warrants special attention.<sup>1</sup> It has been employed particularly in questions of boycott, strike, picketing, and union organization. Among certain of the court decisions already cited these general types of activities by labor have been adjudicated with varying application. The recent decision of the United States Supreme Court in the Duplex Printing case on boycotting sets forth the principle that "the effects of the Clayton Act limiting the use of injunctions must therefore be construed as relating to disputes to which the parties litigant are parties by reason of the relationship of employer and employee, so that the secondary boycott is in no different position under the law than when condemned in the Hatters' case and similar cases cited by the Supreme Court."<sup>2</sup> The distinction was also made that coercion cannot be employed by the employees to persuade the customers of their employer not to deal with him, but that peaceful persuasion may be pursued. In this case coercion of this nature was defined as secondary boycott and declared illegal, while peaceful persuasion was declared a primary boycott and legal under the Clayton Act. Previously the court decisions had been quite general in declaring the boycott unlawful, following the New York decision of 1886.<sup>3</sup> Relief against such ac-

<sup>1</sup>For extended discussion, see Commons and Andrews, *Principles of Labor Legislation*, pp. 91-101.

<sup>2</sup>*U. S. Monthly Labor Review*, February, 1921, pp. 165-168. For an interpretation of this case, see Francis B. Sayre, "The Clayton Act Construed," *The Survey*, January 22, 1921.

<sup>3</sup>Commons and Andrews, *op. cit.*, p. 107.

tivities has been found by the employer in injunctive proceedings, and sometimes in suit for damages.<sup>1</sup> Parallel to these decisions the absolute right of the employer to discharge has been maintained.<sup>2</sup>

The issuance of an injunction to the garment workers in New York enjoining their employers under the conspiracy law for violation of contract is the first case in which the law of conspiracy has been invoked by labor against a group of employers.<sup>3</sup> In the Supreme Court decision of 1921 barring importunity in picketing, the court in part said:

If in their attempts at persuasion or communication, those of the labor side adopt methods which, however lawful in their announced purpose, inevitably lead to intimidation and obstruction, then it is the court's duty to limit what the propagandists do as to time, manner, and place, so as to prevent infractions of the law and violations of the rights of the employees and the employer for whom they wish to work.<sup>4</sup>

The Federal injunction issued against the railroad shopmen in the cessation of work of 1922 was one of the most sweeping injunctions ever ordered. It restrained the workers, in effect, from any type of interference whatever.<sup>5</sup>

A decision of special importance was handed down by the Supreme Court of the United States on June 9, 1924:<sup>6</sup>

In this decree, made in the case of the United Leather Workers International Union, Local Lodge or Union 66, against the Herkert and Meisel Trunk Company and others, appealed from the Circuit Court of Appeals for the Eighth Circuit, the court holds, contrary to the finding of the lower court, that a strike against manufacturers intended to prevent continued manufacture was

<sup>1</sup>Commons and Andrews, *op. cit.*, pp. 96-107.

<sup>2</sup>*Ibid.*, p. 113.

<sup>3</sup>New York *Times*, November 30, 1921. Action was also started to secure damages from the employers under the same principles as those involved in the Danbury Hatters' case.

<sup>4</sup>New York *Evening Post*, December 5, 1921; also *op. cit.*

<sup>5</sup>New York *Times*, September 2, 1922; also *op. cit.*

<sup>6</sup>Reported in the New York *Times*, June 10, 1924.

not a conspiracy to restrain interstate commerce under the Anti-Trust act. Associate Justices McKenna, Vandevanter, and Butler dissent.

The complainants in their bill stated that on February 28, 1920, the defendants demanded that the company shops be unionized and conducted as "closed shops" and announced that if the complainants refused they would ruin the interstate commerce business of each of them. It was further averred that the union employees inaugurated a strike, assaulted and threatened employees of the companies and intimidated them so as to force them against their wills to quit their employment.

It was charged that the union men were carrying out "their illegal conspiracy and purposes by mass picketing and intimidation," that they were maliciously seeking to destroy the interstate business of the companies, and that they had already inflicted, and unless restrained would continue to inflict, irreparable injury upon the business.

The complainants sought a temporary and then a final injunction, which were granted by the District Court and affirmed by the Circuit Court of Appeals.

The defense answered the bill, denying the allegations of picketing, intimidation and violence, and asserted that they and their fellow members of the union had lawfully quit their employment because they could not agree to the terms of a new arrangement with the complainants.

Chief Justice Taft said in his opinion:

"There was no evidence whatever to show that complainants were obstructed by the strike or the strikers in shipping to other states the products they had ready to ship or in their receipt of materials from other states needed to make their goods. While the bill averred that defendants had instituted a boycott against complainants and were prosecuting the same by illegal methods there was no evidence whatever that any attempt was made to boycott the sale of the complainants' products in other states or anywhere or to interfere with its interstate shipments of goods ready to ship.

"The sole question here is whether a strike against manufacturers by their employees, intended by the strikers to prevent, through illegal picketing and intimidation, continued manufacture, and having such effect, was a conspiracy to restrain interstate commerce under the Anti-Trust act."

The Chief Justice holds there was no direct interference with interstate transportation or sales, and concurs with the dissenting

Judge of the Circuit Court of Appeals, who in opposing the injunction said:

"The natural, logical and inevitable result will be that every strike in any industry or even in a single factory will be within the Sherman Act and subject to federal jurisdiction provided any appreciable amount of its product enters into interstate commerce."

"We cannot think," said Chief Justice Taft, in concluding, "that Congress intended any such result in the enactment of the Anti-Trust Act or that the decisions of this court warrant such construction."

#### THE LAW OF EQUITY

The application of the Law of Equity in the control of labor relations is one of the most significant developments in modern law. Its origin and general development, as well as its particular application to a given state, are well set forth in an official publication of the State of Massachusetts, which is freely quoted below as illustrative of the various points in question:<sup>1</sup>

#### THE ORIGIN OF THE COURT OF EQUITY

After the courts of common law had become pretty well established, it was seen that the system therein administered did not suffice completely to protect the people from injustice and oppression. In many instances the only recourse was to address a petition to the king. In time the practice of referring such petitions to an officer, called the chancellor, led to the establishment of a recognized and formal court, for the purpose of dealing with these matters. It was called, from the chancellor, the "court of chancery." Its business was to administer that branch of the law which came to be known to lawyers as "equity." It was entirely independent of the courts of common law in its organization and differed widely in its way of doing business. In matters of principle, however, it was usually, though not always, in substantial harmony with the common law courts, taking to itself certain peculiar classes of cases wherein those courts, on account of their rigid rules and limited form of relief, were unable to prevent injustice. This defect of the common law courts was especially

<sup>1</sup>See *Labor Injunctions in Massachusetts*, Massachusetts State Department of Labor and Industries, Labor Bulletin No. 117, issued November 1, 1916.



marked where an injury of serious nature was threatened, but none actually had yet been done. Before such a contingency the court of common law was helpless, its only power being to award money damages after the injury had been done, a most unsatisfactory situation. By reason of its origin the court of chancery had a certain flexibility of proceeding and of method of relief which gave it the power to meet emergencies of the kind referred to. But notwithstanding the circumstances which led to its establishment, there came in time to be built up for the court of chancery a set of rules or precedents for the control of its action within its special field which a judge could not disregard without violating his oath of office.

While under the laws of Massachusetts the same judges who pass on questions arising at common law also often preside over the court sitting as a court of equity, they are, when so presiding, as truly judges of a court of equity and governed by the established rules of equity procedure as if the separate organization of the original courts of equity had been maintained.

#### EQUITY JURISDICTION IN GENERAL

It becomes necessary, therefore, to inquire as to the nature of the jurisdiction of a court of equity as distinguished from that of the ordinary courts of common law, and as to the peculiarities of the relief which it grants so far as they are significant in the kind of litigation reviewed in this report. As has been suggested, a court of common law can grant relief only when an injury has been done. The successful suitor in such a court gets a judgment—a declaration that the defendant owes him a certain sum of money. He is left to collect his judgment by such other means as the law provides. No command is laid upon the defendant to pay or to do any other act. If, however, the case is one that a court of equity will treat as within its province, the court will issue a decree commanding that the defendant do such acts as justice to the plaintiff requires to be done, or to refrain from doing the acts which he is doing or threatening to do to the injury of the plaintiff. This direct action is the great characteristic of a court of equity, which, moreover, will, if need be, see that its commands are obeyed.

It is not in every sort of case, however, that a court of equity will thus interpose. Roughly speaking, it is only when the injured party has no remedy at common law or when that remedy—a judgment for money damages—is inadequate in that the injury is of a sort for which money damages cannot be a sufficient recom-

pense, that a court of equity will take jurisdiction of the case.

The suitor who seeks the aid of a court of equity must therefore as a general rule show that he has been injured by the unlawful act of another and that he is without an adequate remedy at the common law. He must, however, do more than this. He must show that the cause is one of those cases which, aside from the absence of a common-law remedy, have been determined to be properly within the equity jurisdiction. There are many kinds of these cases, most of which have no application to questions arising out of industrial disputes. One of the firmly established principles of equity jurisdiction is, however, of great importance in this connection; namely, the proposition that when there is interference, actual or threatened, with property or rights of a pecuniary nature, the jurisdiction of a court of equity arises. This especially is true when the unlawful interference threatened would result in injury of such a nature that not only would money damages be insufficient as compensation but the consequences, practically speaking, would be irreparable. Where it is shown to a court of equity that a person is threatening action which will result in such injury to the property or rights of the plaintiff or has commenced and threatens to continue such conduct, the court will interfere and by its writ of injunction command the threatening party to desist. Except in that it is unlawful, the character of the act done or threatened is of no importance. It may or may not be an act of itself punishable as a crime. It is the threatened unlawful interference with the rights of the plaintiff and the resulting damage which is the foundation of the jurisdiction.

#### THE JURISDICTION IN LABOR CASES

Upon the principles thus outlined rests the power of courts of equity to take cognizance of questions arising in industrial disturbances and to issue the injunctions concerning which the discussion has arisen. Complaint is made that the defendants are interfering or are threatening to interfere unlawfully with some alleged right of the plaintiff—the right, for example, to hire whom he pleases. The court hears the matter and determines whether the alleged right is, in fact, a right of a sort to protect which it may take action. Having determined that, it proceeds to ascertain whether such right is really being interfered with, whether the means of interference is unlawful, whether the interference is likely to continue, and, continuing, to do irremediable damage. If the court finds such a state of affairs to exist it will

issue an injunction commanding the persons complained of and before the court to refrain from doing the acts in question<sup>1</sup> . . . .

#### CONTEMPT OF COURT

When a person upon whom an injunction is binding violates it by doing one of the acts therein forbidden by the court he is guilty of what is called contempt of court and is liable to summary punishment by the court whose order he has disobeyed. It is the same as if a witness were to refuse to obey the judge's direction to answer a question put to him by counsel. The only difference is that such refusal being in the presence of the court is called a direct contempt while the violation of an injunction usually is not in the presence of the court and is called indirect contempt. In cases of direct contempt the judge takes such immediate action as he sees fit, and may order the offender to pay a fine or may sentence him to imprisonment for such a time as the case seems to demand. There is no intervention of a jury. In this class of contempts no question is now raised, in this Commonwealth, as to the propriety of such summary punishment. But in the case of indirect contempts the proceeding is slightly different. The complainant in the suit in which the injunction was issued files with the court which issued it what is called a petition for an attachment for contempt, setting forth the existence of the injunction, the fact that the person alleged to have violated it knew of it, and of its terms and was bound by it, the nature of the alleged violation, and the circumstances thereof. Thereupon an order of notice is issued to the person alleged to be in contempt directing him to appear and show cause why such an attachment should not be issued. This is served upon him, and if he does not appear the attachment issues. If he does appear, a hearing follows before the judge and the facts are inquired into. If the judge finds that there has been a violation of the injunction, the respondent is adjudged in contempt and ordered to pay a fine or sent to jail.

As has been stated, the acts forbidden by an injunction may or may not be a crime, and therefore the violation of an injunction may also be an act which renders the doer liable to criminal prosecution and punishment. With that, however, the court of equity

<sup>1</sup>"If the facts stated indicate that owing to extraordinary circumstances the damage may be done if the court waits till the defendants can be served with an order of notice and a hearing had on the question of a temporary injunction, what is called an injunction *ad interim* may be issued restraining the commission of the acts in question until such hearing can be had."

has nothing to do. It is not punishing a crime nor does it concern itself whether the act is or is not a crime. Its only purpose is to compel obedience to its orders and to punish their disobedience. Usually, however, the judge, in his discretion, recognizes the practical features of the situation, and in fixing sentence considers the action or probable action of any of the criminal courts in cases where the violation of the injunction happens also to be a crime.

By a recent statute, however, the defendant in proceedings for violation of an injunction, where it appears in the petition filed in court alleging such violation that it is also a criminal act, is given a right to trial by jury on the issue of fact only.

Chief Justice William H. Taft says, in speaking of the injunction:

What is an injunction? An injunction is merely an order with reference to the prevention of the abuse made before the fact occurs which is to injure or not injure the party. Where an injury has been done a man brings suit to recover damages for the injury, but where the injury is of a character recurring from time to time in small acts for which you can't recover damages that are adequate, there equity says that a man may have prevention rather than cure. Then he may go to court and say:

"This man is going to cut down my tree. That tree won't grow in 20 years. It belongs to me, it is on my place, and he is my tenant. He is going to injure it by wasting that tree." He goes into court and asks the judge to issue an injunction to prevent the cutting down of the tree. Is prevention better than cure in such a case? Why, then, should a judge refuse to issue the injunction? That kind of remedy has been in force for 400 years, and is the most remedial writ that we have. It arose to protect poor men, not to oppress them. For instance, the way it arose was this:

A man borrowed \$500 on his farm. He gave a mortgage which in form was an absolute conveyance, subject to being made void by the payment of \$500, but the farm was worth \$10,000. He failed to pay the \$500 on the dot, and in law they brought a suit in ejectment, and they put the man off of the \$10,000 farm for \$500. He went to the king, in the old days, and he said:

"This is a fine kind of justice that you are giving me. You allow this man to take my \$10,000 farm for \$500." The king said to his lord keep, who subsequently became the lord chancellor:

"Here, you take this case and see whether there is justice."

The lord keep was then an ecclesiast, and he sent for the officer who had enforced that order, or was about to, and he said:

"This is unconstitutional. I am not going to permit you to do it. I am going to enjoin you, and you have got to come into a court that I am going to create, and I will enjoin you until you see that the farm should be sold, that \$500 shall be applied on the debt, with interest, and that \$9,500 shall go to this man who owns the farm."

That is the way the injunction grew up. It grew up to protect the poor against injuries for which they could not have adequate remedy at law.

An important decision bearing upon the function of the law of equity in the field of labor relations is the recent one of the United States Supreme Court (1924) in which it decided that strikers accused of contempt of court in violating injunctions are entitled to trial by jury. This decision was handed down in a case involving striking shopmen of the Chicago, St. Paul, Minneapolis and Omaha Railway who had been enjoined from interference with interstate commerce and charged with contempt because they were accused of violating the injunction. They had asked trial by jury under the Clayton Act, which petition had been denied and the men adjudged guilty by a lower court. The effect of this decision is that a striker who has been accused of violating an injunction and thus in contempt of court can demand trial by jury on the contempt charges, thus putting the Supreme Court on record as considering the language of the Clayton Act to mean that the benefits of that Act also include striking employees.

#### LAW OF THE LABOR CONTRACT

1. *The individual contract.* The labor contract is governed by the general law of contracts, except where these principles are superseded by special laws relating to terms and conditions of employment and work, such as the national and state acts controlling hours of labor, health regulations, accident compensation, remuneration for work,



attachment and assignment of wages, cessation of work, and the like, cited in previous connections. Freedom to make contract and power to enforce a contract where the special laws do not apply, are thus maintained as for contracts generally. The purpose has been to protect the right of individual contract except where the public welfare is endangered or the power of equality in bargaining is jeopardized.<sup>1</sup>

2. *Collective agreements.* The same principles have been followed with more or less variation in collective labor agreements, although here supplemental issues often enter, depending in each case upon the nature of the specific contract entered into as well as the contracting ability of the parties and other factors. Only recently, however, have the principles been strictly applied to collective agreements generally, but the validity of such contracts, where they do not establish a monopoly or conspiracy, is coming more and more to be recognized.<sup>2</sup>

The necessity for legal determination of *bona fide* voluntary trade agreements between capital and labor and for legal recognition of decisions reached under such agreements is a field in which further definitive legislation is needed. The legal status of the National Board of Jurisdictional Awards in the building industry is a case in point.

In general joint relations between workers' and employers' organizations is a field in which the positive application of the law is quite indeterminate though of the most far-reaching significance. Involving as it does the minimum relations of voluntary and cooperative effort of an advisory nature between the groups to a maximum of con-

<sup>1</sup>For court decision on the right of individual contract as compared with collective contracts, see *U. S. Monthly Labor Review*, May, 1921, p. 145.

<sup>2</sup>*Cf.* Previous citation of the injunction of the New York garment workers against their employers for violation of contract collectively entered into. See also Lindley D. Clark, "Legal Effect of Collective Agreements," *U. S. Monthly Labor Review*, February, 1921, pp. 168-171; Theo. M. Ave Lallemand, "The Collective Labor Contract," *American Economic Review*, June, 1921, p. 237; see also decisions on effect of breach of contract on the arbitration clause of a contract, in *Law and Labor*.

certed action of a possible monopolistic nature, it requires the most careful consideration with regard to both legislation and the interpretation of the law on the part of the state.

On the one hand, positive cooperation between the parties in interest in industry is necessary. On the other hand, monopolistic or forcible control between the various parties to industry to the exclusion of individual rights of employer or worker or to the detriment of the public is an obvious evil. Where should the line be drawn? Constructive legislation and application of the law in the development of organized relations of employer and worker is becoming more and more urgent in the development of modern industry as prerequisite to the solution of many of the most difficult problems now confronting it. Thus far the development of law with respect to these relations of employer and worker has largely followed the more or less established procedure of each jurisdiction on monopolistic control or coercion of others by means of strike, boycott, and the like.

An illustration of a court decree relative to collective agreements between employers and workers creating monopoly is found in a case coming before the appellate division of the Supreme Court of the State of New York, in which a construction company made complaint against certain employers' and employees' unions that, it was in evidence, had formed an alliance to control the business of stone and brick masonry.<sup>1</sup>

It appeared that the company's workers were called off because of its non-union status with the employers' organizations and that it was unable to obtain other workers, finally abandoning its contract under the compulsion of circumstances.

It was in evidence that the contractors' association and the locals joined with it as defendant in this action had agreed that

<sup>1</sup>Reported in the *U. S. Monthly Labor Review*, Vol. XII, No. 6, June, 1921.

the contractor members would employ only members of the unions and that the members of the unions would work only for members of the contractors' association. Another provision of the agreement was that the members of the employees' unions would not work either directly or indirectly for or under any contractor, builder, corporation, or person who owed money to any member of the contractors' association for work performed or materials furnished . . . .

The grounds of its decision were that the association from which Brescia (the president of the company who had been expelled from the contractors' association) had been expelled had no further jurisdiction over him, and whatever differences had existed did not justify the association in adopting the means used to deprive the complaining company of its workmen and to drive it out of business. "The defendant contractors' association being without lawful warrant to destroy plaintiff's business, it follows that those who actually aided and abetted in effectuating these illegal acts are equally culpable with it." The labor unions had no grievances against the plaintiff and were acting merely as tools or instrumentalities of the contractors' association, also becoming wrongdoers. "The acts of the combined associations were malicious, wanton interferences with the rights of the plaintiff," in violation of the penal law of the state, which declares such conspiracy as they had engaged in to be a misdemeanor.

The agreement as to employment and service was calculated to create a virtual monopoly, while the paragraph relating to the refusal to work for persons indebted to the association was also illegal and against public policy. "Instead of according alleged debtors the right to have their disputes determined by the legal tribunals established for that purpose, the defendant associations have constituted themselves the judges of facts and the law and the agencies for enforcing their unauthorized decrees."

All the judges concurred in the determination in favor of injunctive relief and a reference to compute damages if a judgment for the same should be desired.

Another case directly involving an agreement that an association of employers would employ only members of the given union and that the members of the union would work only for members of the association, in which the agreement was held invalid, is found in Colorado. Such agreements have been generally found invalid.<sup>1</sup>

<sup>1</sup>*Law and Labor*, March, 1923.

## LEGAL RESPONSIBILITY OF WORKERS' ORGANIZATIONS

The exact extent of legal responsibility incurred by labor unions for acts committed as an organization and for acts committed by the individual members of unions, and the responsibility of members for the acts of their organizations is a matter of varying status. In the case of the Coronado Coal Company with the United Mine Workers of America, the labor union was held responsible for the acts of its members and assessed damages by a lower court. In the Coronado case the United States Supreme Court, in June, 1922, held that under the Sherman anti-trust laws labor unions are liable to action for damages caused by their strikes and that funds they have called for strike purposes can be assessed as damages. Finding no evidence, however, that in this instance officials of the union had approved or ratified the acts complained of, the Supreme Court remanded the case for a new trial, which by decision of the Circuit Court of Appeals resulted in a decision favoring the union. The Supreme Court also held, in its ruling, that mere interference with a mining or manufacturing process did not constitute interference with interstate commerce. In the Danbury Hatters' case the individual members of the union had been held unlimitedly liable for the acts of the union. The general application of these two decisions combined would make union members more liable than the stockholders of a regular corporation.<sup>1</sup> The state of Massachusetts enacted a law in 1921 permitting voluntary associations to sue and be sued in their common-law name.<sup>2</sup>

Any organization or individual that has a legal status must have comparable legal responsibility definitely recog-

<sup>1</sup>See previous citations.

<sup>2</sup>"Section 12. Any voluntary association composed of five or more persons and not subject to sections one to eleven, inclusive, may sue or be sued in its common name, but the separate real or personal estate of any individual member of such association shall not be subject to attachment or execution in any suit under the section against such association. . . .

(Footnote continued on page 168)

nized by law and administered in accordance with justice. Privilege and responsibility must go hand in hand. For example, in a trade agreement between an employer and a labor union, violation of contract by either party without right of redress by the other, when the wronged party may in effect still be bound by the contract, is unjust.

One proposal for placing labor organizations on a basis of definite legal responsibility is that of compulsory incorporation of labor unions. This, it can be seen, is conscientiously a mooted question. Capital has the right of association under incorporation, with limited liability, but incorporation of associations of capital and of employers is not compulsory. Members of labor unions under the existing law have responsibility without limit for tortious acts on their behalf.<sup>1</sup> The regular business corporation, moreover, is organized for profit. Any legal responsibility must give due recognition to the humane and non-profit making character of labor unions. Labor should not be forced into types of compulsion not existing comparably for capital and not consistent with human rights and legal privilege.

Another phase of this problem is the practical one of the enforcement of the law when it affects such a large number of persons as the membership in a large labor organization may automatically involve, when it is alleged that criminal acts have occurred.

#### EFFECT OF DIVIDED COURT DECISIONS

The effect of closely divided court decisions on labor

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<sup>1</sup>"Section 40. In an action against a voluntary association described in Section 1 of Chapter 182, engaged in business in the commonwealth, service may be made upon any trustee thereof. . . .

"Section 40A. In an action against a voluntary association described in Section 12 of Chapter 182, service may be made upon its president, secretary, treasurer, manager, or other officer in charge of its business in this commonwealth. [Approved May 9, 1921.]"

<sup>1</sup>See decision of U. S. Supreme Court in Coronado Coal case, June, 1922, reported in *U. S. Monthly Labor Review*, June, 1922, previously discussed. Also see Commons and Andrews, *op. cit.*, pp. 122-124, and *Annual Proceedings of American Federation of Labor*, 1922, pp. 58 and 291.



legislation has added to the uncertain status of this legislation as well as having been a factor in stimulating doubt in the popular mind as to the infallibility of decisions rendered in some cases. This situation is brought forcibly to the public attention in a statement by Thomas L. Chadbourne as follows:<sup>1</sup> "Those who believe in the necessity and social desirability of protective legislation to establish and maintain minimum standards of health and safety in industry, have been disturbed and shocked by the rapidly increasing number of closely divided Supreme Court decisions declaring such legislation unconstitutional. Not only have these adverse rulings deprived many thousands of weaker members of the community of the protection which the community had after long investigation and careful consideration supplied them, but of even greater public importance in the long run is the resulting wide-spread disturbance of confidence in our judicial system. It is fitting, therefore, that this body of American citizens interested in welfare measures solely from the public view-point should at this time thoughtfully consider the economic and judicial justification of labor legislation in this country."

#### RELATION OF FEDERAL AND STATE JURISDICTION

The relation of federal legislative jurisdiction in labor relations to state jurisdiction is important and in some respects of undefined status. In general the states have maintained the right of police power under which they claim labor matters come. Thus the states maintain control of legislation with respect to hours, wages, working conditions, and the like, in private employment over which the Federal Congress has been denied jurisdiction.<sup>2</sup> The nebulous relation of federal and state powers in this regard,

<sup>1</sup>Chadbourne, Thomas L., president of the American Association for Labor Legislation, seventeenth annual meeting, Washington, D. C., December 27, 1923.

<sup>2</sup>For discussions of the legal status of workers in public employment, see Commons and Andrews, *op. cit.*, pp. 175 and 180.

however, is illustrated in the history of the Federal Child Labor Laws. These at first invoking the federal commerce powers and being held unconstitutional, later invoked the power of federal taxation to control the matter of child labor as affecting interstate commerce products, only in turn to be adjudged unconstitutional. Congress has since passed an act to endeavor to handle this problem by means of a constitutional amendment.

#### LABOR LEGISLATION AND CLASS LEGISLATION

Labor legislation, it should be noted, is not generally class legislation. When it is for equality of privilege on the part of labor and recognition of legitimate protection of human resources it is, instead of being class legislation, legislation for the protection of equality of opportunity for mankind. When it is for the protection of the public and of industry, against unjustified attack by irresponsible individuals or groups in industry, it again is not class legislation, but legislation for the general protection and benefit of the community.

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## XI

### PRINCIPLES OF PUBLIC CONTROL OF LABOR RELATIONS

Types of governmental participation in control of labor relations: (a) voluntary service, (b) compulsory regulation and control. Fundamental issues involved. The public's interest. The public and the right to strike. The employers' strike. The function of the law. When the public steps in. Place of regular channels of state control. The concept of law and order. The general function of law.

GOVERNMENTAL participation in the handling of labor relations has followed two general lines as to degree of authority exercised in this country: (1) voluntary service by the state to the contending parties if and when acceptable to those parties, and (2) compulsory regulation and control by process of law.

State and federal conciliation and arbitration boards dealing with matters of dispute and resting for their authority upon the contending parties voluntarily subscribing to decisions by these boards or other recognized agencies, upon publication of facts, and upon public prestige represent the first type. State aid for industrial rehabilitation and similar lines of assistance, usually dependent upon substantial cooperation on the part of the parties affected, constitute another class of cases.

The second type has taken the form of industrial compensation laws, regulation and control of working conditions, industrial courts or other systems of compulsory arbitration or award, restraint by the state through its courts of *proposed* action by one of the parties in conflict or punishment for action *already* taken, or actual control and operation of an industry or certain of its phases through due process of law. Compulsion, as contrasted with voluntary adjustment by the interested parties, is here

the distinguishing characteristic. This compulsion may apply only to the initial stages of adjustment and temporary cessation of any conflict or it may extend to provisions for complete control.

The departments of the Federal Government such as the Department of Agriculture, which is organized to give assistance to the public, is an illustration of the first type of activity on a national scale affecting industry in a broad way. The Post-Office Department, which actually controls and operates the postal system of the country, is an illustration of the application of the second type to the fullest degree of the Federal Government.

In the field of labor relations the conciliation machinery of the Federal Department of Labor and the labor provisions of the Federal Transportation Act of 1920 illustrate the first type. The National War Labor Board operated similarly under executive order. The British Industrial Court Act provides for the same general type of adjustment. On an individual state basis the Kansas Court of Industrial Relations created in 1920 is illustrative of an endeavor of the second type toward complete control, and the Colorado law toward partial control. On a broader national scale the Canadian Disputes Act illustrated partial control involving compulsion, and the British Trades Board Act definite control over a minimum wage.

These processes, of course, involve the most fundamental issues contingent upon governmental control in industry. They involve not only the question of the rights of the individual as contrasted with the powers of the state and the matter of "state's rights," but also the practical question of recognition of individual initiative and enterprise. They may assume, moreover, different proportions for government employment, public utilities, and essential industries, such as transportation, on the one hand, and more strictly private enterprise on the other hand. Recent court decisions, it should be noted, have tended toward a minimum of state control.

## THE PUBLIC'S INTEREST

It is often reiterated that the interest of the public is paramount. This fact cannot be denied. But the question arises—who constitutes the public? The public is essentially composed of capital and labor, who together constitute the consumer. The public's rightful interests are the combined legitimate interests of capital and labor in general. If either or any part of either suffers, the public suffers. The common good is ultimately the good of the individual, to whichever party he may belong. Obviously, the public's interest can be promoted only by promoting the interests of the several elements that compose it, but this fact is frequently overlooked.

There are certain elements within the public, of course, whose interests are momentarily different; and when some of these interests are considered jointly, such as the general manufacturing enterprises of the country as contrasted with the interest of labor in any given industry like coal mining, for example, it might appear at times that the interests of the majority, if conflict arises, must be maintained at all odds.

But it is the first and unavoidable duty of the public to see that the interests of all of the groups within it, whether they be big or little, are duly protected. If the public continuously fails to perform this duty, then what? Has or has not the minority the right to assert itself? Unfortunately experience shows that such action lawfully exercised by the minority has in the past been necessary in order to make the public conscious of its duty. Certainly no group within society can be held down permanently without means of proper recourse because the public fails to perform its proper function. Adequate means must be found whereby the minority can exercise its voice effectively and lawfully, the final judge being the duly organized and enlightened public. Practical measures are needed for the accomplishment of this aim.



## THE PUBLIC AND THE RIGHT TO STRIKE

This question logically raises the issue regarding the right of labor to strike. The strike as such is a method of conflict. In this sense, therefore, it is contrary to the principles of cooperative control. Moreover, the strike as directed against an essential industry or the public service becomes for the moment dominantly and directly a method of conflict against the public interest. But ultimately such a strike may have legitimate ends in view.

The paramount duty of the public in such events is not suppression; it is the determining of the rightful interests of the parties in conflict and the giving of a reasonable opportunity for peaceful settlement by themselves mutually. Inordinate and unprovoked exercise of force by either group, of course, cannot be tolerated. But causes and not results alone, must be dealt with. The wrong must be righted. Then compulsion on the part of the public, except in the extreme cases, will not be necessary. Education, publicity, and cooperative conference are the first methods to be employed, and they are the most effective ones.

In performing this function for industry the public must always carry actively in mind the fact that its interests are those of both capital and labor. Too often in the past the community's interest in the worker has been founded on its own desire for a commodity that is the product of labor and capital rather than upon any positive belief in the rights of the workers and capital as such in their own fields.

It should be noted, further, that the performance of this function by the public should not be left to any particular group or groups as its agents, whether they belong to capital or to labor. The representatives of the public in this event must truly represent the legitimate interests of all parties concerned, and be impartially constituted.

It must be recognized that the strike, just as any other

compulsory methods as a first and permanent method of settling disputes by the workers is unsatisfactory. The only permanent method is that of mutual agreement between the parties of first interest in industry.

#### THE EMPLOYERS' STRIKE

The lockout is also a conflict method of dealing. It jeopardizes the public interest as does the strike. In fact, to all intents and purposes it is an employers' strike. As such it involves essentially the same issues, as well as the same fundamental principles of control, as does the workers' strike.

#### THE FUNCTION OF THE LAW

The right to strike has already been discussed from the standpoint of its relation to the principles of cooperative management of labor policy. The legislative and interpretive aspects of the law as applied in the past have also been set forth in an earlier discussion. It now remains to inquire as to what may be regarded as the feasible and equitable application of the law to strikes and methods of collective coercion in industrial control. Can the state, with propriety, forbid strikes, and if so, what shall it offer as the machinery for assuring equitable adjustment of industrial disputes?

Opinion and precedents vary on these questions, as evidenced by the history of legislation on compulsory arbitration as well as by the court decisions in this regard.

Granted the right of labor to organize and to bargain collectively, is there any limit to this right or to the exercise of the power that comes from it? Eliminating from the discussion such specific cases as breach of contract and the like, the answer centers around the matter of dominant public interest and the question of fundamental individual rights. The relation of the public interest to

the legitimate claims of justice and protection against involuntary servitude on the part of the minority, whether it be capital or labor, is not always easy of determination. Employment in essential industries has usually been taken as the criterion of a dominant public interest. With this as a standard, however, the border-line between essential industries and those not essential is difficult to arrive at.

Granted that workers have a right to organize and bargain collectively, yet they do not have the right to a monopoly of the economic forces of production throughout industry. Labor has no more right to such a monopoly of the economic forces of production than has capital. The limitations to the right of capital to organize into monopolistic combinations have long since been recognized in law and in practice, however effective or ineffective the exercise of the law may have been. When any group or element in industry, whether it be capital or labor, gains such a degree of economic control that it can coerce an entire industry into submission to its own desires irrespective of what may be right and fair, such power is greater than any element within the state should be permitted to possess. Labor may not always be right just as capital may not always be right in what it thinks and wants. It is both conceivable and just that in so far as the exercise of economic force is concerned, neither labor nor capital has a right to the exercise of combination that would give such control over industry as to result in monopoly.

In this connection, the difference between human values and economic values must be recognized both by labor and by the state. While labor has the right to organize and obtain human values, in doing this it must recognize the same human values for the public as a whole.

In the second place, the practicability of enforcing any prohibitive decree that may be issued against labor or capital must be considered. An award or decision is one thing, and its effective enforcement is another. The distinction, moreover, between individual and concerted action is not

always apparent. Individual and sporadic cessation of work, for example, may be practiced by labor to achieve the effects of concerted action. The individual strike or even the strike on the job can be more wasteful than the strike by an entire body of workers.

In the third place, to what extent, if any, is anti-strike legislation unconstitutional on the grounds of setting up a condition of involuntary servitude? All rights are relative and the relation between restriction of freedom of action of the individual that is guaranteed under the Constitution and the lawful prohibition of acts of an individual that will injure his fellow citizen is a matter for consideration in this connection.

What do the foregoing considerations mean practically? As a matter of equity and of sound business practice, neither is the right to strike absolute, nor the right of the state to curb it absolute. The interrelated interest of capital, labor, and the public must be considered. Also the relation of economics and of human values must be recognized. The immediate gain that may be secured by a given unit of labor through exercise of the strike may, through economic disaster, cause untold suffering to the public which is composed of other units of labor and capital. On the other hand, absolute curtailment of the right of strike, at least in this day, could cause equal hardship.

#### WHEN THE PUBLIC STEPS IN

In brief, neither capital nor labor has the arbitrary right to force its own will upon society, regardless of the rights of the other party or of the public. It is when the attempt is made to force such a wish upon society that the public in a general sense steps into the conflict. And then its first duty is that of education and investigation of fact, with the exercise of compulsion only as a final resort to combat illegal and unjustifiable acts.

Certainly, however, the right to strike as a means of last

resort in securing rightful aims can be given up by labor only *when the public becomes reasonably informed and active* in protecting the manifold interests of all parties to production, and when workers shall have attained their rightful status in participation in management on labor relations and have secured effective means for their protection through process of law and common agreement. Otherwise, without the right to strike it is always possible for any particular individual or group of workers to be held, in effect, in industrial servitude. It must be admitted that in the past, through the exercise of selfish interests at times and without full realization at other times on the part of certain captains of industry, combined with the lack of enlightened public opinion, the right to strike, lawfully exercised, has sometimes been necessary to safeguard and protect the interests of the working groups.

The public, acting through the state, certainly has in major cases a right to compulsory investigation and voluntary award with the publicity of facts before the exercise of the right to strike or to lockout becomes effective. It is evident that such action on the part of the state, since it does not end in ultimate compulsion or prohibition, may not avert strikes, but in the end it will operate to avoid strikes as much as compulsion will, if those affected by mandatory acts do not willingly subscribe to this compulsion. Sooner or later the party in an industrial dispute who is in the wrong will have to submit to the pressure of enlightened public opinion.

THE INTERESTS OF THE PUBLIC CAN BE NORMALLY PRO-  
TECTED THROUGH REGULAR CHANNELS OF  
STATE CONTROL

In acute cases of unjustified industrial conflict the regular powers of the state under the existing body of law can be exercised and the state can step in and adjust disputes that jeopardize the life, property, or safety of the public,



or restrain those who threaten or punish those who commit unjustified acts of injury or violence.

It is sometimes asserted that if the control of labor relations by industry be left entirely to the cooperative handling of capital and labor, the interests of the public will be jeopardized. It would seem, however, that the state, through its normal powers of regulation and supervision, can amply protect itself and still leave the management of private industry to be conducted essentially by the parties of first interest, except where the matters at issue transcend in importance the walls of the particular industry itself.

The propriety of the state exercising regulation over general standards of hours, wages, and working conditions when these assume a special social importance has become increasingly recognized in law and in practice, as indicated in an earlier discussion. This type of control has been particularly true with regard to the labor of women and children, although both legal and public opinion on it are not by any means unanimous. Generally speaking, however, the principle of state regulation over such matters when exercised for the protection of the public interests is accepted as sound policy. Here, as in other fields, neither the right of individual contract nor the right of state control is absolute.

An example of these principles is found in the history of federal child labor legislation and its interpretation in this country, as already set forth. The proposal recently passed by Congress is especially significant in that it provides for an amendment to the Constitution under which the Federal Government, if the measure were ratified by the states, would be explicitly permitted to limit, regulate, or prohibit the labor of children under 18 years of age.<sup>1</sup> This amendment would provide for power of regulation by Congress with the enforcing power vested in the Federal Government and the states.

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<sup>1</sup>Act of Congress, June 2, 1924.

## THE CONCEPT OF LAW AND ORDER

So much discussion regarding the control of labor relations centers around the idea of law and order that it is well to analyze this concept here. Law and order do not mean standing still and resting upon the traditions of the past. Such at best is social stagnation, and at times it is retrogression. A social order cannot subsist alone on tradition. All societies, however, view change with suspicion; some even consider it immoral. When this change does not coincide with the notions of certain individuals, they sometimes consider it worse than immoral.

The fact to be noted here is that when tradition, through custom or law, dominates the life of a people, it overshadows initiative and stifles clear thinking. Progress can come only through change. This change may come from within or by the transference of new ideas from without. If it comes from within, it arises through some individual or group of individuals who more or less abruptly break away from the established order or custom and then lead the way for the larger group. Argument, emotional appeal, education or force may be the methods used. If progress comes from without, it may also be through education and assimilation, or by force. But in any case, tradition as a predominating influence is not a direct aid to progress. Its function is to conserve and transmit culture in the social order and to furnish a basis for promoting initiative on the part of the members of that society.

There permeates society the ever-present and conscious evolution of its various groups. Society must thoughtfully utilize tradition and not be overwhelmed by it. Those who would stand in the way of society's conscious evolution sooner or later find revolution by violence instead of the normal and less violent processes of education functioning to meet the demands of civilization. Law and order in 1492 as conceived and applied at that time meant one thing; law and order today as conceived and applied by

people today often means another thing. Law and order as conceived and applied by the generations to come may quite well mean still another thing. It must not be confused with tradition or custom.

Judicial affirmation of this fundamental principle generally as well as in the field of labor relations is contained in the *Holden v. Hardy* case, in which the court declared: "This court has not failed to recognize the fact that the law is, to a certain extent, a progressive science; that in some of the states methods of procedure which, at the time the constitution was adopted, were deemed essential to the protection and safety of the people, or to the liberty of the citizen, have been found to be no longer necessary; that restrictions which had formerly been laid upon the conduct of individuals, or of classes of individuals, have proved detrimental to their interests, while, upon the other hand, certain other classes of persons (particularly those engaged in dangerous or unhealthful employments) have been found to be in need of additional protection. . . . It is impossible to forecast the character or extent of these changes; but in view of the fact that, from the day the Magna Charta was signed to the present moment, amendments to the structure of the law have been made with increasing frequency, it is impossible to suppose that they will not continue, and the law be forced to adapt itself to new conditions of society, and particularly to the new relations between employers and employees, as they arise."<sup>1</sup>

#### THE GENERAL FUNCTION OF LAW

*Law is fundamental but must meet the needs of progress.* It is axiomatic that law is fundamental in the regulation and control of human activities. It regulates all elements in society. They must recognize it and be governed by it. But it must be rationally applied. Law must meet the exigencies and needs of experience and of progress. This

<sup>1</sup>Commons and Andrews, *Principles of Labor Legislation*, pp. 27 and 28.

means that it must change from time to time as the changing needs of society may require. It is a *dynamic* thing.

*Legislation depends on the good-will of the people.* Without the good-will and cooperation of the majority of the body politic legislation is of no substantial avail. Good-will and cooperation spring from education and not from compulsion. They come from within. Being essentially regulative in its initial form, law as a means of control tends to be negative in nature. In so far as it actively embodies the will of the people back of it, it becomes positive in itself. These facts do not minimize the value of legislation, which codifies the regulative ideals and concepts of progress and makes them authoritative, but they emphasize the necessity for a more basic factor to be utilized as the primary force in social development and control—that of education working formally or informally.

*Law should be a minimum force.* Legislation, therefore, should act as a *minimum* force. Law should always follow with precision and promptness the crystallization of thought and good-will on the part of the majority of the people. It does not eliminate, but rather elevates and supports proper leadership. Leaders, in turn, should lead and not merely legislate. There are always a few extremists at both ends of the scale of human activity, of course, who must be aggressively controlled by the process of law or force. But any representative system of control must consider the large number of normal people.

NOTE: Because of the close relationship between the subject-matter of this chapter and the preceding one, references covering the field of both are combined on page 170.

## XII

### EDUCATION AND INDUSTRIAL CONTROL

An educated industrial citizenship the bulwark of modern industry. Education the fundamental process in adjusting human relations in industry. Education within industry must be linked up with education outside of industry. Function of the public school. Social education and cultural values do not conflict. Problems of illiteracy and early elimination of pupils from school. Other problems of the schools. Education by industry. The place of responsibility. The need. The purposes of education by industry. Types of administration: (1) apprentice training, (2) plant schools, (3) cooperative training by industry, (4) vestibule schools, (5) continuation schools, (6) cooperative schools, (7) self-education by workers, (8) college courses for adult workers. Citizenship training. Foreman training. Training of employers and executives. Business economics for workers. Place of vocational guidance and vocational education. State aid.

JUST as enlightened public opinion is the bulwark of democracy, so likewise an educated industrial citizenship is the bulwark of modern industry. Industry, which in effect has come to rival the institutions of the state, church, home, and school in the control of human lives, must find and utilize intelligently some basic method to solve, in so far as it is humanly possible, the many perplexing problems confronting it.

It has already been noted how, in the rapidly developing industrial order, many difficulties in producing material goods and at the same time in maintaining human values have arisen. It has also been noted how various movements or agencies to control the various factors pertaining to these things of material or human value have developed.

#### EDUCATION THE BASIC PROCESS IN STABILIZING AND PROMOTING HUMAN RELATIONS IN INDUSTRY

Fundamentally the process of development and adjustment is one of education. *Social education*, or conscious



effort for the development of the social good with due recognition of the rights of society as such and of the rights of the individual in society, is the fundamental concept in this educational process. For industry all this requires the development of mutual confidence between employer and worker, based on the education of the worker in the problems and risks of management in addition to trade proficiency, and the education of the employer as to the human needs and demands of the workers in addition to economic efficiency.

Education, as has been noted, must precede legislation if legislation is to be effective. Legislation cannot do as much as education to prevent conflict and to stimulate cooperation. Education is necessary even after laws have been passed and interpreted, for law and order depend on education.

Education that will help to humanize industry and to meet the material demands of productivity in this way cannot be merely technical, nor can it be concerned only with the mere machinery of government or of industry itself. It must be an education that reveals human values in their right proportions. It must help all concerned to see what is worth while in life. It must do more than to give vocational skill. It must inquire into the fundamentals of citizenship, the broad requirements of industry and the place of human values, and develop wholesome attitudes and view-points. It must, therefore, determine fundamental aims and principles before applying specific methods.

These questions require consideration of education not only in the more limited field of industry alone, but also in all educative agencies throughout society as a whole. Neither industry nor the public schools have adequately realized their obligations to each other, nor the advantages that each can secure through intelligent cooperation. It becomes necessary, therefore, to inquire briefly into the aims, organization, materials, methods, and personnel for conducting education in the formal educational agency, or

the school, as they relate to industrial needs. It will then be necessary to consider the needs of industry and its educational equipment and the ways for making education and industry mutually helpful to the highest degree.

#### EDUCATION AND THE PUBLIC SCHOOL: DETAILED CONFORMITY NOT POSSIBLE BUT BASIC PRINCIPLES EXIST

Any system of education must conform to the particular aims, types of organization, curricula, and methods of instruction peculiar to its given field. It must also recognize the peculiar qualifications and requirements of the instructing personnel. It is impossible to set forth detailed rules and procedure to which all education should conform within the school or within industry. But over and above any questions of detailed materials or methods of instruction are certain basic principles common to any program, in which are to be found the philosophy of action and balance in proceeding with detailed machinery.

To get proper perspective, it is essential to bear in mind that the greatest art is the art of living, and the art of living cannot be practiced in its fullest sense without a full appreciation of the science of living. Modern industry has divorced the art and the science of living; so likewise has the modern school. It is true that the artisan must understand his art, but not his art alone. He must understand the related arts and the philosophy back of them. The point here is that in education and the other pursuits of life people today have bound themselves too much to form and have not given a sufficient appreciation to the meaning back of things and their relation to life.

#### SOCIAL EDUCATION AND CULTURAL VALUES DO NOT CONFLICT

This duty of the school, and of industry, does not bring it into conflict with the cultural values of education. On

the contrary, it offers a medium through which the cultural can be most fully realized. That individual is most cultured who has been trained to appreciate in the highest degree his relation to his fellow beings. Ideas as known are of only partial value. Only ideas as known and as expressed have full value. The fullest expression can be secured only through the association of individuals with each other. Thus the opportunity for broadening the individual's knowledge is enhanced by his social relationships. Quite naturally some ideas or subjects have more social significance than others. Each type has its place in the entire realm of knowledge, and each supplements the other to constitute a complete system of thought and a well-rounded program of life.

Without this appreciation of both the art and the science of things one cannot have a rational philosophy of life in industry or elsewhere, and without a rational philosophy of life one loses sight of relative values.

By way of illustration, we need but to point to the teaching of civics as generally taught in the public schools for many years in the past, and for that matter to the related topics in the higher institutions of learning. Students have been taught the machinery and the form of government, with too little of the philosophy and the spirit back of it. They have not been given as a general practice the common notions of government and the common ideals that it is possible to secure from it. This fact has a most direct bearing upon the problems of industrial control in its various phases.

Thus the fact that the schools have not met the need in these regards is evidenced by the general situation throughout industry and society today, and particularly in the fact that industry itself has found it necessary to take upon its own shoulders the burden of instructing the great group of industrial workers in the principles of industrial citizenship and the relation of their work to society in general and to national institutions and ideals. The great movement

for training in culture and civic responsibility, commonly styled the Americanization movement, is a case in point.

PROBLEMS OF ILLITERACY AND EARLY ELIMINATION OF  
PUPILS FROM SCHOOL

It is reported that there are nearly 5,000,000 illiterates 10 years of age and over in the United States today, and that 68% of these illiterates are native-born. Without going into the related problems of immigration and of antecedents, if one pauses for a moment to examine these 3,000,000 or more native-born persons, in addition to the foreign-born ones, who have never had the opportunity and the stimulus to rise from the ranks of illiteracy, one is forced to wonder whether intelligent cooperation and the exercise of thoughtful responsibility in the state or nation or even throughout industry as such can be expected. Illiteracy does not of itself mean lack of intelligence or lack of ability to learn. Industry and education have too often confused the two.

This situation is augmented by the vast number of pupils who enter school and receive training only in some of the most rudimentary principles of education before they drop out.<sup>1</sup> For them the school has lost its opportunity, and industrial society as a whole has displayed, with scattered exceptions, only glimmerings of attempts to repair the disaster or to carry the work forward from the place where the school has left off.

The work of the schools should be adapted to the capacities and needs of the pupils so that they will not drop out before receiving a substantial training in an occupational pursuit and in the principles of citizenship. To those who for economic reasons cannot continue through the whole program of study, the schools should give a reasoned concept of their relation to life as well as to the vocations. The students should receive in school under normal guid-

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<sup>1</sup>See pages 193 and 194 for statistics on this subject.

ance such instruction that they will not be submerged in detail or in their own specialized fields when they get out. The great function of vocational guidance is not the choosing of a vocation for a child or a child for a vocation, but helping him to get so equipped that he can most advantageously, for all concerned, choose one for himself whenever the time comes.

#### HUMAN POSSIBILITIES FOR LEARNING NOT FULLY RECOGNIZED

But it may be suggested that the school and society as a whole have their limitations beyond which they cannot progress in educating the members of society, and furthermore, that the laws of human nature and the laws of human growth make these limitations. Limitations, of course, exist. But it would seem that there is neither a clear understanding of these limitations nor yet a full realization of the possibilities and the opportunities placed before human beings by nature for the development of their abilities.

Take, for instance, the periods of development of the individual from childhood up through the period of adolescence. Right at the time when the individual's powers of thought are ripening and there appears the rise of social consciousness together with the power to philosophize on his relations to mankind and the universe, the school either drops him or feeds his unwilling mind largely with form and technique. If industry takes him, it treats him worse; he is thrown into a highly competitive environment and is forced into a highly egoistic if not selfish attitude towards his fellow man. For year after year he pursues an abnormal or unbalanced program of life, and when finally he has secured economic independence, if so fortunate, with time to enjoy leisure and contemplate his proper relation to his fellow man, he too often has lost the ability as well as the positive desire any longer to do so. Sometimes it seems that society needs to get out of the individual's way more and



give him a chance for normal expression of the powers and desires which nature has implanted within him. What is needed is controlled spontaneity. This fact is particularly true of the individual just preceding, during, and immediately following the adolescent period, which is the time during which he is forming his permanent life interests and his guiding philosophies.

#### LEARNING FRAME OF MIND COUPLED WITH INITIATIVE

Another problem of the public school in training its students for citizenship and their place in industry is that of the development of proper attitude of mind, both towards people and towards work, particularly a learning frame of mind coupled with initiative. One of the country's foremost employers, discussing the relation of educational values in business, among other things, has said:

In a word, we believe that the public schools can, to advantage, make greater efforts to send the children out into their life work in a learning frame of mind. To be specific, that the young men and women who come to us for work should come ready and anxious to learn and keep on learning rather than being joyful that their education is finished.

On this thesis, of course, there is not so much to say on just what shall be taught, but rather how it shall be taught, yet a few suggestions of curriculum must be offered. First, of course, comes the school problem of physical development, the importance of which for war our recent experience must have taught us, but it seems to me that physical and nervous energy and endurance are of a value to business success not fully appreciated. If this is right, then the physical development of school children is important for purposes of peace as well as war and should be followed up in every possible way.

In the second place it is, in my opinion, of direct as well as indirect value to teach children a good deal about the every-day things going on around them—the elementary duties of their town or city officers, how goods get on to the retailers' shelves, the simpler facts about the local industries, and so forth. The point of this teaching of every-day affairs is to arouse further curiosity and to prevent, if possible, the deadening habit of seeing processes

of all sorts going on without knowing in the least the whys or wherefores.

Third, I would suggest that every child at school be taken through one or more factories. This would serve a double purpose of laying a foundation, which, for those who are to enter industry, would make more easy the appreciation of the share they are to take in the great industrial processes, and to give to all, whether they are to go in industry or not, a sense of the realities in factory production. Some of the loose thinking which is too common concerning factory production would thus be tightened up. . . .

The methods of industrial management are more and more becoming the methods of leading rather than driving, of teaching rather than bossing, and a prime necessity for further progress in this direction is obviously the teachable mind. Only driving methods can be used with those whose minds are closed to further learning, and the recruiting ground for the future leaders of industry will be poor and narrow unless a goodly proportion of the graduates of public schools are open-minded and anxious to study things out for themselves. . . .

I believe that the object which every teacher should have in mind should be to develop an ability in the pupil to find things out for himself, to learn how to learn, to get a knowledge of what there is ahead for him to learn, and to get that knowledge in such a manner as to excite his curiosity and interest to the maximum extent. To obtain this end much more depends upon the manner and especially the spirit of the teaching than upon the substance thereof.<sup>1</sup>

#### DISCIPLINE

The whole problem of what may be termed discipline both inside and outside of the school is another question which has been handled with too much form and too little spirit. The matter of discipline and what ideas the individual gets in school regarding constituted authority, together with adequate opportunity for the exercise of spontaneity, of individual thinking and acting, is one whose importance does not end when the child leaves the school. It furnishes the raw material at least, and too often wrongly

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<sup>1</sup>Dennison, Henry S., "Educational Values in Business," from *Current Affairs*, Boston, January 5, 1921.

preconceived notions of the attitude he can display in society as a whole. He finds when he gets out that there is no one fixed code of ethics or concept of action or system of thought, and without having had the opportunity under wise guidance to see these differences and harmonize them before he is left entirely to himself, he often fails utterly in any rational explanation of these things until late in life. This principle is likewise true for the uneducated worker in industry who becomes unduly conscious of his group power.

In this connection, however, both industry and the school must be constantly aware of the danger of creating desire to do things without affording opportunity for the student to give expression to these desires. Without the chance to carry into action in some way or other the ideals of service to his fellow men or of his other relations in life, he is liable to develop a habit of exercising his imagination without acting upon it, which will follow him through life.

#### SUBJECT-MATTER

Various subjects of the curriculum and various educational activities afford opportunity to develop the *social understanding and attitude* that will help most to produce a cooperative spirit in industry. They can be only illustrated here.

Among the most obvious and still simplest means of attaining this end is the proper choice of subject-matter for topics in the regular composition exercises. These topics can deal with practical situations or with ideas bearing on ultimate values in life, and at the same time offer ample opportunity for setting forth the technical principles of the composition lessons. These topics can be used in description, narration, exposition, or argumentation. For example, the child can write an exercise on "How Shoes Are Made," on "A Great Invention and What It Has Meant for Mankind," or on "How to Build a Ship." These sub-

jects are only suggestive. Such topics can come more and more to include not only the immediate value of the articles being discussed, but by whom they were made, where these people lived, what their conditions in life are, their status in society and standards of living, and the like.

Again, the cue for the content of a course in geography is found in the conception of the earth as the home of living people engaged in definite activities in which they are modified by and in turn modify their physical environment as well as each other. For example, what kind of people live in what kind of places, how they are apt to work in these places, and what types of culture they have developed in relation to the things of physical nature about them—such questions as these make geography a truly valuable subject for study.

#### EDUCATION BY INDUSTRY

Thus far the discussion of the place of education in relation to the problems of labor in industry has centered largely around the function of the formal school system. But it must be recognized that industry itself has very definite responsibilities in education in order to meet its own needs, in addition to proper support of the public schools.

As already noted, industry has to a degree, although far too little, assumed certain of its obligations in education. But these efforts on the whole have been sporadic from the standpoint of any organized methods for promoting education and training except in their narrower sense. Thus far technical training alone has received practically the entire attention of industry's activities in education. Some notable exceptions, of course, exist, as in Americanization work, training in general economic and cultural subjects, and the like.

Industry, as the controlling institution in man's work-day life, has largely failed in giving to the individual the

greatest type of all education—that is, *education through the exercise of responsibility*. It is only beginning to give to the worker an opportunity to grow through assuming responsibility in its activities. The public also is just beginning to recognize the lack of opportunity for the great mass of workers to learn anything substantial of business, organized society, and the fundamental institutions upon which the nation is founded. The average worker has had neither time nor resources to do much more than secure, from an impersonal environment, a mere living. How can workers be expected to show themselves capable and able quickly to assume responsibility when they have had no chance to practice its art or to learn its science?

From an educational standpoint, industry in its turn, then, must be so organized and conducted that the worker will have the opportunity to train himself in the duties of industrial citizenship through performance of these duties, and to exercise to the fullest degree his rights of enfranchisement in industry.

#### INDUSTRY'S PROBLEMS WITH THOSE WHO LEAVE SCHOOL EARLY

Another great educational problem confronting industry itself arises from the enormous number of its workers, already referred to, who enter industry at an early age without having completed the training offered by the public schools. Industry must take up this problem where the school leaves off. This in many ways presents problems separate from that of technical training itself or that of education in the general responsibilities of industry for the adult worker. The significance of this problem is apparent from the following statement of the Federal Board for Vocational Education:<sup>1</sup>

In 1920, as returned by the census, the population of school age

<sup>1</sup>See *Sixth Annual Report to Congress*, Federal Board for Vocational Education, 1922, p. 23.



numbered 33,250,870. Of these, 21,373,975 were returned as attending school and 11,876,894 as being out of school. For the ages 14 and 15 combined the out-of-school boys and girls numbered, according to the census returns, 783,581. Of the 16-year-old boys and girls, 971,257 were out of school. Of those 17 years old, 1,212,831 were out of school—approximately two being out of school for one in school in this age. Of those 19 years old, 1,496,427 were out of school and 413,619 in school. For those 19 and 20 years of age, the numbers out of school were, respectively, 1,578,254 and 1,632,750.

The large facts developed out of our national statistics of school attendance are that as a constantly obtaining social condition we have nearly 12,000,000 in the ages 5 to 20 years who are not in school, of whom approximately 3,000,000 are in the ages 14, 15, 16, and 17 years and nearly 5,000,000 in the ages 18, 19, and 20.

This out-of-school population is recruited year after year by those who graduate from and drop out of school at different stages in their progress through the grades. Approximately it is true that of 1,000 pupils entering grade 1 only 580 survive in school to grade 8 and only 140 to the fourth year of the high school. On the basis of such official data as are available it may be estimated that every year some 600,000 boys and girls drop out of school on completion of the eighth grade. To these figures must be added the number of those who drop out of lower grades—approximately 140,000 from the seventh, 350,000 from the sixth, 350,000 from the fifth, and 300,000 from the fourth. These estimated eliminations annually from Grades 4 to 8 total over 1,700,000. In addition, it would appear that nearly 500,000 drop out of high school each year before completing the 4-year course; giving an estimated total of school eliminations each year for those grades probably well in excess of 2,000,000. Making any reasonable allowance for error in these estimates based upon such official figures as are available, the number of school eliminations each year is sufficiently large to constitute a problem of large dimensions in the field of part-time education.

The extent of the problem, still awaiting solution, is in part indicated by the fact that while 2,967,651 boys and girls 14, 15, 16, and 17 years old were not in school in 1920, yet the enrolment in federally aided part-time schools for all ages in 1921 and 1922 was only 228,655.<sup>1</sup>

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<sup>1</sup>Federal Board for Vocational Education, *op. cit.*, p. 26.

## PURPOSES OF EDUCATION BY INDUSTRY

What are the aims and the machinery that industry should employ in meeting these educational problems?

Education on the part of industry has three major purposes to perform:

1. To give technical efficiency to the worker;
2. To develop a sound industrial citizenship;
3. To cultivate appreciation of relative values in life.

In performing these functions it should not conflict with the aims and machinery of the general educational system. It should be in harmony with them, yet not try to perform the duties of the public-school system. At the same time, it must supplement the training secured in the public schools, whether its workers leave the schools with or without a substantial training. In brief, industry must train its workers to meet its peculiar needs in economic efficiency, supplementing, when desirable, the worker's general education, and assist in the application of the worker's entire educational equipment so as to utilize to the best advantage the fundamentals of all education. This means it must assist within its own sphere in the education of the individual for participation in the enjoyment of the legitimate activities and pleasures of life, both within and without industry. It can no more ignore than it can supplant the education of the public schools and life itself outside of industry.

Just what particular things or subject-matter this training requires in any particular instance varies according to the nature of the industry and the degree of advancement of the individual and his special needs, judged according to the aims sought. Training in technical efficiency, for example, demands instruction that will give trade skill. This obviously involves separate factors for the skilled, the semiskilled, and the unskilled worker, in addition to being adapted to the particular trade or craft involved. Training

for industrial citizenship requires knowledge of the facts of the business enterprise and practical business economics in general, as well as opportunity to learn how to exercise appropriate responsibility and practice in the exercise of this responsibility. It also requires development of the proper attitude of mind in the individual toward industry and its problems. Training in the application of relative values in life transcends mere vocational skill and considers the relationships of the whole—the purposes of industry, its economic requirements, relation of human and material values, and how best to promote them.

### TYPES OF INDUSTRIAL TRAINING FOR WORKERS

There are numerous administrative approaches to the training of industrial workers. In general there are a number of types, or systems, for the training of workers in which industry directly participates; that is, apprentice training, plant schools, cooperative training by industries, vestibule schools, continuation schools, and cooperative training between colleges and industry. Education by workers' organizations themselves, and special college courses for workers are other types. These various types are not always mutually exclusive.

#### I. APPRENTICE TRAINING

The oldest system, and in many ways the most informal, is the apprenticeship system. With the rapid expansion of modern industry and the consequent need for expeditions and specialized training, apprenticeship has markedly declined. Certain industries, however, such as the printing and construction industries, still maintain many of the factors of the old apprenticeship. This is especially true in industries highly organized from the standpoint of union labor.

Illustrative of possible present-day apprentice-training

systems in an industry highly organized from the standpoint of union labor is the Cleveland Bricklayers Apprentice School, which requires its apprentices to serve a four-year term of apprenticeship.<sup>1</sup> It represents a combination of formal training and individual instruction at work on the job. This school was organized formally in August, 1922. It is conducted under the joint auspices of the Local Bricklayers' Union, the Mason Contractors' Association, the Building Trades Employers' Association of Cleveland, and the Cleveland Board of Education, and is operated under the provisions of the Smith-Hughes Law for Vocational Education.

The Federal Government and the state board of education each pay approximately one-fourth and the local board of education one-half of the teachers' salaries; the quarters for the school, together with instruments and such supplies, are furnished by the local board of education; the salary of the director of apprentices is paid by the Building Trades Employers' Association; the union, through its officers, cooperates with the director of apprentices in keeping check on the apprentices; the materials, such as brick, sand, and the like, are furnished gratuitously by a local supply company.

A general committee, called the apprentice committee, and composed of representatives of the various bodies conducting the school, has general jurisdiction over the system; aside from matters of general policy, it handles, for example, complaints regarding either contractor or apprentice. The instructor is a man who has had adequate experience as a journeyman worker and technical college training. Sessions of the school are held every forenoon for five days each week, with each class arranged according to the time the apprentice has served. Each apprentice attends school four hours a week, half of which time is

<sup>1</sup>See *The American Contractor*, December 9, 1922; May 23, 1925. Also the *American Clay Magazine*, February, 1923; see also *The American Contractor*, February 11, 1922, on the Chicago Bricklayers' School.

spent in plan reading and drawing and half on practical work under supervision of the instructor.

Aside from such factors as general organization principles and methods of instruction, three important problems to be met in any apprentice system are:

1. To get apprentices permanently interested in and capable of doing the work;
2. To get employers able and willing to give regular employment to the apprentice;
3. To secure the cooperation of the regular journeymen workers.

These problems are particularly important in a highly seasonal and intermittent type of employment such as exists in the building industry. How they are met in the Cleveland Bricklayers School is seen in the following provisions.

The apprentice must work at the trade in order to attend the school. He must have the ability to read and write English; in general he must convince the apprentice committee of his fitness to enter the trade and the school; he must, if approved, serve 30 days on probation before being eligible to enter into an indenture contract with the contractor, covering the 4-year term of apprenticeship.<sup>1</sup>

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<sup>1</sup>Rules and regulations governing the apprentices approved by the apprentice committee, January 19, 1923, follow:

1. No boy will be given a permit to work as a bricklayer apprentice until his application has been approved by the apprentice committee. The mason contractor placing the boy on trial must appear with him before the apprentice committee. The committee reserves the right to require a birth certificate from applicant. Application blanks may be secured from Bricklayers' Local Union No. 5, 2105 E. 21st Street or at the office of the Building Trades Employers' Association, Rose Building, Cleveland, Ohio.

2. Every apprentice boy must attend the Bricklayers' School at least four hours a week, or present a written excuse from his employer or physician.

3. Apprentices must return to the contractor to whom they are indentured when they have work and when notified to do so.

4. It is necessary for apprentices to secure a permit from Bricklayers' Local Union No. 5 headquarters to work for a contractor other than the one to whom they are indentured.

5. A report must be made at the school whenever a change in home address or job location is made.

6. A summons to appear before the apprentice committee is compulsory.

7. No transfer or release of an indentured apprentice will be made unless both contractors parties to the change, the apprentice, and the parent or guardian appear jointly before the apprentice committee, and after proper hearing, receives the sanction and approval of this body.

8. Contractors are to pay all boys working for them, whether indentured to them or



The contractor must have employed an average of five bricklayers a day for two successive years and be reasonably certain of being able to furnish employment regularly to an apprentice, as he is obligated to keep the apprentice employed whenever possible and pay him while attending school. A contractor employing an average of ten bricklayers a year may indenture a second apprentice after the first has served three years, and if the contractor employs over ten journeymen he may "borrow" an apprentice who is indentured to another employer but is temporarily out of employment.

The director of apprentices represents the apprentice committee in the field, subject to its approval. Daily aid through contact on differences between apprentices and contractors, attendance at school and at work, location of jobs, transfers of apprentices, and all other pertinent data are kept.

The local union has cooperated in every way with the school. The school has attracted a high type of students, many of American birth and some high-school graduates. Contractors in general have given the school good support.

The wages paid the apprentices are substantial, comparing favorably with what boys of like age may earn in other employment. Athletic and social features are fostered.

not, for the hours per week spent at school, and the apprentice must return to the job as soon as possible after school in order to receive pay for attendance.

9. The rate to be paid the boys for time spent at school is determined by the official rate per hour for that boy as agreed upon by the Bricklayers' Local Union No. 5, and Mason Contractors, which are as follows:

First six months.....	32%
Second six months.....	36%
Third six months.....	42%
Fourth six months.....	48%
Fifth six months.....	52%
Sixth six months.....	62%
Seventh six months.....	70%
Eighth six months.....	80%

These rates are based on journeymen bricklayers' rate per hour; any change in said rate will make a proportionate change in these rates, bonuses, and yearly increases.

10. Every apprentice boy, at the expiration of his 30 days' trial period must appear before the apprentice committee for its approval before he will be allowed to enter into an indenture contract.

11. An apprentice applicant must satisfy the apprentice committee as to his ability to read and write the English language intelligently and speak it properly before his application will be considered and must be able to pass any other mental tests required by the committee.

Another approach to the training of apprentices in the building trades for a given locality is found in the apprenticeship commission of the New York Building Congress. This commission is the central governing body on apprentice training for the industry as a whole throughout the community, from which radiate the joint trade committees of employers and labor for each craft. These trade committees operating under the commission give special attention to the training and employment of apprentices in their respective crafts.

The commission is composed of five employers, five representatives of labor, and three members of the New York Building Congress. None of the latter is an employer or employee in the building industry. It functions through the cooperation of the employers and labor in the building industry with the active help and cooperation of the New York Board of Education.

The commission was created in 1922 by the New York Building Congress, which is the parent body and is itself an organization embracing all elements interested in construction from investment, design, and related interest on through producers and distributors of materials to those engaged in management and actual labor in the erection of buildings.

The commission now has 75 classes in 9 different evening schools throughout various boroughs of New York City.<sup>1</sup> These classes cover the bricklaying, carpentry, electricity, plastering, painting and decorating, upholstery, and cement masonry trades.

*Wisconsin's Apprenticeship Plan.* The general principles of the Wisconsin Apprenticeship Plan show concerted action in a concrete way by the state in both the promotion and actual administration of apprenticeship training. These principles, quoted from a statement by the Wisconsin Industrial Commission, are as follows:

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<sup>1</sup>June, 1925.

Under authority of the apprenticeship law a boy between the ages of 16 and 21 may be put under a written contract of apprenticeship. There are 3 parties to such an agreement, namely, the employer, the apprentice, and the state.

The employer must be equipped to teach the trade in all its branches; he must enter into a *bona-fide* contract with the apprentice in which he agrees to furnish employment to the apprentice during the term of training at an agreed wage, and to give the apprentice opportunity to work on all machines or all branches of the trade.

The apprentice must sign the contract, in which he agrees to work for apprentice wages, to remain with his employer during the period of apprenticeship, and to attend a part-time school for four hours each week during the first two years of the apprenticeship.

The state, represented by the industrial commission, supervises the training, arbitrates differences arising between the apprentice and the employer, passes upon schedules of training, assures proper instruction in the part-time school, determines what is good cause of annulment of contracts, and enforces all indentures.<sup>1</sup>

*Apprenticeship in Unions.* Apprenticeship on an individual basis, in which gradual instruction in a single trade or craft is given at work on the job under the supervision of a journeyman worker in the trade, is found among the trade and other unions, with varying standards as to eligibility and length of indenture. Very seldom, however, does this type of apprenticeship extend to instruction in more than one trade or calling for any given individual.

*Non-Union Apprentice Training.* In plants not operating on a union basis plans for apprenticeship training have been conducted along various lines. Within these plants, however, the training has frequently taken decided variations from the old type of apprenticeship both as to the scope of training and type of indenture or close relationship of the learner to the journeyman. Sometimes this training has been designed only for very specialized types or branches of the work rather than for the learning of a

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<sup>1</sup>Bulletin of Industrial Commission of Wisconsin.

trade in its entirety. In some plants, however, apprenticeship training or its equivalent has been carried on along broad lines. The metal trades furnish examples of apprenticeship training of this general type.

*Apprentice Training by Industries.* Among the industries having apprenticeship programs operating on a more or less group basis and involving unionism are found the railroad shops and the printing trades, particularly the typographical union. For employers acting on a national basis for their industry the program of the United Typothetae of America should also be noted.

*National Apprenticeship Program in Construction Industry.* A program to further the training of workers for the construction industry and to assist in securing proper employment for them is under way through the American Construction Council. It is being conducted on a national scale in cooperation with the various localities and branches of the industry in the belief that this is the only way the problem can be effectively solved.

The council has, cooperating with its general officers, a standing committee on apprenticeship. This committee is composed of men who are thoroughly practical and actively interested in the problem. Every basic interest affected for each branch and craft in the industry is represented.

It is a thing most significant in itself that for the first time in the history of the industry a group of men, representing all the elements of the construction industry of the United States—employing, manufacturing, professional, and labor interests—have got together to consider the apprenticeship problem.

The general program includes (1) a nation-wide survey of apprenticeship needs and distribution of labor in construction activities, (2) the analysis and making available to the entire industry of complete facts as to the scope and facilities of apprenticeship training courses for all trades by localities throughout the entire country, and (3) con-

structive measures looking toward the improvement of apprentice training from the standpoint of all elements interested, together with active assistance in organizing new apprenticeship schools.

Obviously, a movement so extensive and so far-reaching in its effects must take into account the directly allied and important problems of employment and regularity of work. This requires: (1) providing sane channels for giving proper employment to apprentices, (2) the stabilization of construction on as nearly an all-year-round basis as practical, so that the workers can stay at work after they have got a job.

The council does not conduct apprenticeship schools of its own as these in their actual operation must be administered so as to conform with local conditions. The program of the council, however, may be utilized by the various branches and localities as they may deem suitable to their particular needs.

*General Considerations on Apprenticeship.* In any apprentice system, consideration must be given to normal requirements as contrasted with demands at peak or slump periods, to the length of apprenticeship as related to the requirements of skill and experience as well as the demand for labor, and the like. Thus what may properly be a four-year term of indenture in one trade might not be proper in another trade.

The training problems of an industry cannot be separated from the basic economic factors affecting the industry itself. The whole conduct of the industry is involved in them and the question of a proper labor supply in any of its phases cannot be considered apart from the economic aspects themselves. This fact is particularly true of an industry so highly unstabilized, for example, as the construction industry has been up to the present time.

Thus the problem of apprenticeship is closely allied with that of seasonal and intermittent unemployment. The



close connection of these two problems is seen in two important aspects. First, any proper determination of the real need for additional mechanics in the industry must take into consideration the present conditions of successive employment and unemployment for the various trades and the effect of further stabilization of the operation of the industry throughout the entire year upon such employment. Second, before apprentices are trained there should be reasonable assurance of employment not only during the proper period within their apprenticeship, but also when the full period of apprenticeship has been completed.

There is also need for nationally uniform laws, where laws are desirable, and for uniform standards in a general though not too strict a way for the same trades, and for adequate programs on a national scale for each industry of magnitude. Otherwise any local system of apprentice training though adequate in itself, may be almost entirely ineffective because of varying conditions elsewhere and because of the mobility of labor.

## 2. PLANT SCHOOLS

A further type of industrial school is that conducted by a given plant or industry itself. Here the instruction may be for occupational skill alone or for general education, as the purpose of the school may be broad or quite limited according to the ends sought. This type of instruction is differentiated from apprenticeship by the fact that it is formally organized and in groups, and may deal with more than one trade. The classes may be conducted during working hours or outside of working hours.

Plant training has generally been a source of skill and of supplementary development of trade or occupational abilities and facts of special importance regarding the industry. Plant training should primarily be confined to the trade and occupational aspects, economics of the business and immediately related subjects, leaving general edu-

cation to be carried on by outside educational agencies or in definite cooperation with them. Americanization work and certain supplementary education of a general nature can be profitably conducted by industry as an emergency and temporary program, but as a permanent measure the community should on the whole assume this duty.

The nature and extent of instruction to be given and the way in which it is given depend fundamentally upon the specific aim in view in relation to the type of worker being trained. Training may be highly specialized, such as that required for a specific milling-machine job, or it may be for all-round craftsmanship in a craft, or it may cover several or more crafts.

In any training system distinction must be made between the experienced and inexperienced worker. Quite obviously the needs of the inexperienced new worker are different from those of the experienced worker, and the needs of each of these differ according to the particular purpose in view. A basic consideration is that the previous experience of the worker be capitalized. Likewise the subject-matter for instructional purposes must be adapted to each situation to be met.

From an organization standpoint, plant training may follow three lines: (*a*) a separate department having its own special staff and equipment, (*b*) training on the regular job under the foreman, and (*c*) some combination of the first two systems. In the last case, there may be a separate training staff supervising the work of the student on the regular job without the control of the foreman, or there may be a special part of the production department set aside for training purposes; or the training department may take skilled operators and train them in educational principles and methods, who then return to the production department and work under the control of the production foreman and superintendent. In training for trade skill the instruction is usually best given on actual jobs under regular working conditions.

There are, then, several types of organization and procedure for plant training that have been found successful. After basic educational and administrative requirements are met, the one big essential is that every plant that needs a training system has a definite organization and procedure. This should be reasonably standardized and adjusted to meet local conditions and to give the type of training desired. Obviously the training staff must have both practical trade skill and teaching ability.

In connection with plant training, attention needs to be given to such special features as trips for workers through the factory and similar industries; lectures on the history, practices and policies of the company covering the various phases of administration; exhibits of the manufacture and uses of the product; plant libraries; and the like.

### 3. COOPERATIVE TRAINING BY INDUSTRIES

Among plants of a given industry having common interests and practices training programs based upon the cooperation of the various individual companies have sometimes been found to be of advantage. This has been found particularly true in industries having a mobile labor supply, in order to protect progressive individual plants from becoming in effect training centers for other employers who have no training programs but bid for the labor trained by their fellow employers. In some cases of apprentice training, the desire of labor unions to protect the learner from possible inequalities of bargaining power through indentured service has promoted the movement for concerted training actively throughout the given industry among both employers and workers.

### 4. VESTIBULE SCHOOL

The vestibule school is usually a pre-employment school, taking the new employees into the factory and giving them instruction in the trade operations in anticipation of and

before beginning regular employment. It gives technical training, and deals with the students in general as employees.

This type of instruction is closely related to apprenticeship training. It is not as extensive as some of the other types of industrial schools. Among its limitations and dangers is the fact that the students in a vestibule school have not generally in the past been under public control and at the same time the particular plant has had the expense of training and has run the risk of losing the services of the worker before he has become a regular producer. Under the Federal Vocational Act of 1917 this type of school has received recognition and stimulus towards public control.

### 5. CONTINUATION SCHOOLS

The continuation school operates through the cooperation of the employer, employee, and the community. It therefore represents a system in which industry acts partly for industry but jointly with the public schools, and is a part-time school. The organization and expense of the school for young workers is usually borne by the public.

The continuation school is thus adapted primarily to meet the needs of young workers who have entered industry at or near the legal working age, and whose normal education is incomplete. Instruction, therefore, usually takes the form of giving general education as well as occupational training. The workers attending a continuation school may spend part of the working day at their work and part in the school, or may follow their studies outside of working hours.

"The general continuation school, as the name implies, should devote itself particularly to providing a general educational background upon which to build a superstructure of vocational training. It must determine what proportion of the total part-time instruction is needed for this work. Such information can be obtained by a survey of its pupils

to find out how far they are below the minimum educational qualification, which may be described as being equivalent to that in general provided by an elementary grammar school. The character of its work, while depending upon this survey, must necessarily have a decided civic leaning, and at the same time be clearly connected with the vocational program, since these schools are established under authority given in that part of the act which specifies that any subject given to enlarge the civic or vocational efficiency of pupils may be given in a part-time school. The school must safeguard the pupil from hasty and inefficient instruction, but it must be borne clearly in mind that the pupil's receptive period is brief and that he is both physically and mentally ready and eager to secure practical industrial training, and will not take kindly to an extended course which neglects his natural desires."<sup>1</sup>

#### 6. COOPERATIVE SCHOOLS

The fundamental idea of part-time work in school, however, is not limited to the young workers. Technical colleges and university schools of business in particular have employed this method of instruction.

This plan was originated in a systematic manner in college work by Dean Herman Schneider in the part-time course at the University of Cincinnati in 1906. Other colleges have adopted the plan in one form or another, and

<sup>1</sup>Bulletin No. 19, *Trade and Industrial Series No. 3*, October, 1918, p. 23. See also Bulletins Nos. 17, 18, 20, and 30 for discussion of the relation of the Federal Vocational Act to continuation schools and other related types of instruction.

See also *U. S. Monthly Labor Review*, August, 1920, pp. 92-93; November, 1920, pp. 137-146; and December, 1920, pp. 92-93.

For development of part-time or continuation schools in the United States see *U. S. Monthly Labor Review*, April, 1920, pp. 133-136.

For Canadian legislation on continuation schools, see the *Labour Gazette*, Department of Labor of Canada, July, 1921, p. 858.

For a discussion of vocational guidance in relation to the continuation school, see "The Continuation School," Ruth S. Clark, *The Survey*, January 8, 1921, p. 541. See also *Sixth Annual Report to Congress*, Federal Board for Vocational Education, 1922.



secondary schools, particularly in their industrial and technical courses, have followed it.

This system of training requires, as does the other type of continuation schools, the cooperation of employer and the school. Usually successive weeks, often two-week periods, are spent at school and at work.

#### 7. SELF-EDUCATION BY WORKERS

Movements among workers for promoting their own education have largely developed in connection with labor organizations, and represent a type of adult education that is reaching greater and greater significance. These movements have progressed with two general objects in mind—to develop trained leaders for the labor movement and to provide opportunity for general education and culture, particularly economic, social, and civic training. Certain secondary aims, such as to provide entertainment and more or less organized but general information on labor movements, also are found. For those who have not received the fundamentals of a general education, language and other elementary subjects are sometimes pursued.

The support and administration of workers' educational movements have been of various types. While most frequently supported and conducted by union labor, state and college aid in some cases have been given. The first trade union activities in education of a significant nature in this country involving the actual administration of school work were undertaken by the International Ladies' Garment Workers' Union in 1914. "The entire movement for labor education in the United States," according to the *U. S. Monthly Labor Review*, (1921), "is hardly two years old. Previous to 1918 there were only three experiments of this sort in existence in this country, one of which was sponsored by socialist and radical elements, while the other two were those of the Women's Trade Union League and the International Ladies' Garment Workers' Union. No

new schools were organized in 1918 during the war. In 1919 three new schools were organized. The year 1920 witnessed the establishment of thirteen additional ones, nine of which were in Pennsylvania. During the first three months of 1921 four more were added. In 1923 about two hundred such schools were reported. It is obvious, therefore, that the movement is just beginning to make real progress.<sup>1</sup>

Among the most significant labor enterprises in education in this country are, in addition to that of the International Ladies' Garment Workers' Union, the Cleveland Garment Workers' movement, partially supported by the Cleveland Board of Education; the United Labor Education Committee of New York, with which numerous labor organizations are affiliated; the education department of the Amalgamated Clothing Workers of America; the department of education of the Pennsylvania State Federation of Labor; the Women's Trade Union League of Chicago; the Workers' College of Seattle; the New York, Boston, Philadelphia, Pittsburgh, Rochester, St. Paul, Seattle, and Washington, D. C., Trade Union Colleges; the joint committee of the Chicago Federation of Labor; the Women's Trade Union League; and the National League of Women Voters. In addition, the activities of the other unions, the Rand School, and various cooperative schools should be noted.

The various activities of labor for education of workers in this country were combined on a large scale in April, 1921, in the establishment of the Workers' Educational Bureau of America, which was organized as a national agency for the general administration of the educational movement by labor throughout the United States. In addition, the educational programs and activities of the American Federation of Labor and of various state federations of labor both for adult workers' education as well as education in the public schools are most significant.

<sup>1</sup>*U. S. Monthly Labor Review*, June, 1921, p. 186; *ibid.*, June, 1923, p. 202.

The labor unions of this country were also instrumental in promoting and developing the public-school system in its pioneer stages. The resolution which was adopted on education at the annual convention of the American Federation of Labor in Denver, Colorado, in 1908 is noteworthy, showing emphatically the importance labor places upon the entire question.

In other countries the Workers' Educational Association of Great Britain, the Central Board for Workers' Education in Belgium, and the education committees and schools of the Social Democratic Party and trade unions in Germany are among the most significant.

#### 8. COLLEGE COURSES FOR ADULT WORKERS

First among the colleges conducting classes specially for adult workers is Amherst College,<sup>1</sup> which, in cooperation with labor groups, gives instruction through its own faculty in history, economics, literature, and other topics. Bryn Mawr College inaugurated summer-school courses for women workers in the summer of 1921, the object of which, as stated by the college, is "to offer young women of character and ability a fuller education in order that they may widen their influence in the industrial world, help in the coming social reconstruction, and increase the happiness and usefulness of their own lives." The University of California offers, through its workers' education bureau, a large number of courses for workers, in developing which it secured the advice and approval of organized labor. Barnard College, in cooperation with the National League of Women Voters, offered, in 1923, a summer course in education for citizenship. Brookwood, the labor union college at Katonah, New York, is designed especially to develop leaders for the labor groups represented. It is controlled and administered by the unions. The faculty has a free hand on matters of educational procedure.

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<sup>1</sup>Reported in the *Survey*, September 16, 1921, p. 675.

## CITIZENSHIP TRAINING

The term Americanization has generally been applied to that type of training which is designed to give instruction to the foreign-born workers in the language of this country and in the fundamentals of citizenship. This type of training, however, is a phase of education for citizenship in its most complete sense, being different only in that it is directed to the special group of non-native born workers. Aside from instruction in language and primary customs, it thus involves most of the educational, economic, and social factors entering into general education. Certain principles and specially adapted methods of procedure, however, are necessary to accomplish the desired results.

Laws for the education of the foreign-born too frequently have been premised on the feeling that the aliens are intrinsically inferior. It is difference in language, customs, and possible educational opportunities that need to be recognized, not relative superiority or inferiority as such, provided the immigrant is of the proper type. This question of education is closely linked up with the problems of naturalization and assimilation in its earlier stages. Exploitation must be avoided. But like any kind of education, it must proceed with a minimum of legal requirement or force and a maximum of interest and cooperation, on the part of the person directly affected. It should proceed according to the same basic laws of sound educational practice and aims as for any other type of education. The problem furnished by the adult immigrant, of course, presents peculiar aspects arising from the handicaps of age.

Formal education for citizenship may take the form of administration found in other types of training. It is only since about 1915 that consistent and coordinated effort to any marked degree was directed toward this type of education.<sup>1</sup>

<sup>1</sup>Classes in private industries, state-aided immigrant classes, and the efforts of the more important local and national public-spirited leagues and associations are to be noted here.

The Massachusetts Bureau of Immigration, in speaking of the problem, has said:<sup>1</sup>

The great majority of the non-English-speaking foreign-born, unfortunately, have no serious desire to acquire our language. Their racial segregation makes it more difficult and less necessary. The night school makes no successful appeal to them, partly because of physical and mental fatigue at the close of the day's work, and partly because they are unwilling to change their clothes and go—often a considerable distance and frequently in inclement weather—to the school.

Rudimentary education in English and civics should not be a matter of choice; it should be a legal requirement for prolonged stay within our borders of all under a certain age, say 50 years. It should not be left to chance or to haphazard effort, but should be under the direction of federal, state, and municipal authorities cooperating in conducting a uniform system of adult illiterate education, the cost of which should be divided equitably, perhaps upon a basis of 50% to the Federal Government, 35% to the state, and 15% to the municipality.

The most fertile field for this training is in industry itself during working hours, and on a division of time between employer and worker. The advantages to industry of a working force capable of immediate comprehension of warnings, instructions, and so forth, are so manifest, the reduction of labor turnover so large, and the security of property so much greater, through the mutual understanding between management and operatives which such training would make possible, as to be convincing argument for the adoption of plant classes throughout our great manufacturing establishments.

Plant classes should be provided in all establishments where any considerable number of illiterate persons is employed. Where a small number is employed, means should be provided for joint classes in which employees of neighboring concerns could unite at one central place. Such classes should be under direct supervision of the local school authorities working with the state department of education, which, in turn, would cooperate in the federal-state program.

A standard text-book embracing the minimum of language and other requirements for alien education, in the preparation of which acknowledged experts would collaborate, should be undertaken

<sup>1</sup>*Second Annual Report of the Bureau of Immigration, State of Massachusetts, 1920, pp. 28-30.*



by the Federal Government for use throughout the country. A uniform method of teaching in connection with such text-book should likewise be developed, to the end that the migration of the alien from place to place and state to state should less seriously handicap his educational progress.

A liberally reasonable period should be permitted for the attainment of this minimum proficiency, after which refusal or neglect systematically to seek it should be penalized. Persuasion and explanation of individual and collective advantage should patiently be tried, but when these fail or are ignored, public safety and the security of state and nation demand that sterner measures be rigidly employed.

The vast majority of our residents of non-English-speaking origin are, beyond question, of good intent. Given fair play throughout their varied contacts, and an understanding of the structure and aims of our government and of their native-born neighbors, their adherence to law and order may safely be relied upon.

As a result, however, of their inability to speak our current language or to understand it when spoken, they readily absorb malicious and distinctly harmful ideas. Prejudices are thus aroused which make them an easy prey for the designing agitator an anarchistic revolutionist, and in this way they become a potential menace. It is necessary alike for their own protection and for the safety of our political and social structure that they shall acquire at least a good working knowledge of our language, and the foregoing considerations make it imperative that this acquirement should actively, systematically, and persistently be promoted.

Various kinds of agencies are active in this type of education. Among the more important of these are classes conducted by industry itself, the public schools and colleges, especially classes definitely organized and conducted for the purpose, classes conducted jointly by industry and the public schools and colleges, libraries, the press, moving pictures, naturalization bureaus, community meetings, and the proper social atmosphere for the worker in his daily life activities. In addition, the educational activities of the labor unions, the various leagues of the foreign-born in America, the National Americanization Committee, the

National League for Women Voters, the churches and other religious associations, the local and the national education associations, the special public and private committees in Americanization, and the Federal Council of Citizenship Training recently created by executive order of the President to coordinate all federal activities in the field, should be noted.

It must be recognized that true "Americanization" or education of the foreign-born goes beyond any formal system of training and into the very fabric of the industrial and social order. Here lie the same problems pertaining to industrial, social, and political relations as for any other worker, and fundamentally they must be met in the same manner. Yet it warrants and requires special organization and method on both national and local scales. But in this process it should not be forgotten that education for citizenship must not be limited merely to the foreign-born, otherwise the effort spent in that direction will not reach full value.

#### FOREMAN TRAINING

A training problem of first importance confronting industry is the development of foremen to keep pace with modern changes in production methods, general business administration, and human relations in industry. The rapidly changing industrial order has brought with it general as well as technical problems that cannot be mastered by the individual foreman in the exercise of his daily duties alone. Organized and specially adapted training to meet his particular needs and to make him an efficient producer in the maintenance of human values as well as in technical production must be employed. Being, as he is, the point of contact between the workers and the management in their daily work, his attitude and ideas, although he acts as a minor executive or individual supervisor, determine largely the accomplishment of the policies of the general management with respect to production and the vital administra-

tion of human relations within the individual plant. Various industries have taken up this problem with beneficial results, but the movement as a whole is as yet only in its beginnings.

#### THE TRAINING OF EMPLOYERS AND EXECUTIVES

The organized and systematic training of executives who have to do with matters of general management is a problem of prime importance recognized as such by industry itself. The method so largely pursued in the past of developing the executives through individual experience alone in the plant has come to be recognized as having distinct limitations as well as value.

Two types of education for executives are needed—in the first place, training in the technique of the industry in which they are to serve, with emphasis on the particular branch in which they work; and in the second place, training in broad fundamentals. This latter type includes training in the development of view-point and of attitude, as well as in general subjects relating to business. Industry has also come to realize that its major executives must be capable of and in sympathy with the handling of its human problems on a constructive basis.

This general type of training is not only adapted for adding well-trained men to industry, but offers to those already within industry the opportunity to develop to the best advantage. Obviously, the particular type of instruction in any given case depends upon the nature of the business, the vocation followed, and the past training and experience of the individual affected.

The employer, furthermore, needs to educate himself in the psychology of the worker, his natural feelings and desires, and the requirements of his most productive effort. He also needs to train himself for cooperating with the worker as well as expecting the worker to cooperate with him.

EDUCATION OF THE WORKER IN THE ECONOMICS  
OF BUSINESS

The training of workers in the economic aspects of the fundamentals of business conduct is just as important as the familiarization of employers with the problems of the worker. Workers may become acquainted with the economic problems of industry in two effective ways: first, by formal courses of training conducted by the workers or by the employers or jointly by both, and second, through the participation in a responsible way by workers in the management and operation, or ownership of business in its varying aspects. Both of these movements are developing more and more extensively throughout industry.

In this type of training, whatever particular form it may assume in any case, lies the educational basis for the enlightened and practicable cooperation of management and workers so necessary to the future development of industry on a rational basis. The ultimate factors in this regard pertaining to the conduct of industry itself have been discussed in another connection and will not be elaborated upon at this point.<sup>1</sup>

THE PLACE OF VOCATIONAL GUIDANCE AND VOCATIONAL  
EDUCATION

A most important problem in the successful administration of any educational program is that of proper vocational guidance. To what extent the individual must choose for himself and how he may secure beneficial assistance from competent advisers depends to a large extent upon the circumstances in individual cases. Intelligent guidance of the youth in the choosing of his vocation and for training for service in his vocation can be most beneficial. It may be directed toward a more careful analysis of the requirements and opportunities of given occupations than the individual

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<sup>1</sup>See Chapters VI and VII.

himself would be able to find out advantageously and toward a more careful analysis of the individual's own capacities and needs as well as possible interests.

Vocational training, pursued in the public schools under properly controlled conditions, may be made, in addition to its training features as such, a most helpful process in vocational guidance. In this way, the student has some opportunity, through actual performance of the work, to determine his interests and fitness for a given vocation before finally entering upon it. The problem of vocational education itself involves, in its broadest sense, the fundamental factors of trade and occupational training discussed in previous pages of this chapter.<sup>1</sup>

#### THE RELATION OF STATE AID TO EDUCATION BY INDUSTRY

The place of state aid in the educational activities conducted by industry is a significant problem still in the process of development. It involves the determination of the aims and legitimate activities of education by the state and education by industry itself. Sometimes state aid is made compulsory, in the form of compulsory continuation schools, while in other cases its acceptance may be purely voluntary on the part of industry.

The most significant step towards active state aid in industrial education thus far in this country is the Federal Vocational Law of 1917, known as the Smith-Hughes Act. Here the cooperation of the states with the Federal Government is voluntary, just as the cooperation of the industry with the public agencies is voluntary. The administration of this law was made operative under the Federal Board for Vocational Education which, in administering it, cooperates with the state boards of education and approves the plans set up by them for promoting vocational education in

<sup>1</sup>For detailed discussion, see reports of the National Education Association, and the National Society for Vocational Education, especially for the session of 1921 and following.

For discussion of personal analysis, see Chapter XXIV.



the several states. The actual administration of the state plans, however, is left to the state boards.

The general nature of the Federal Vocational Law is set forth by the Federal Agency of Administration as follows:

The Federal Vocational Education Law (Smith-Hughes Act) is the result of legislation on the part of the Federal Government which provides funds out of the national treasury for cooperation with the several states in promoting a kind of education which is much needed and which has been much neglected, namely, vocational education.

The vocational act was brought about for the purpose of stimulating states to promote vocational education in the fields of agriculture, trade, home economics, and industry. Its specific aim is to make efficient wage-earners. This may be done by preparing persons for new occupations or by increasing the skill and knowledge of those who have already entered a chosen vocation. The act is exceedingly broad in its scope and makes provision for the boys or girls who are yet in attendance upon school in the form of day trade-school and for those who have entered employment by evening and part-time schools or classes. Emphasis is placed on the fact that the act is not intended for general academic education, as it is assumed that the states are already making ample provisions for the education of their youth along general lines. Consideration is given to the common wage-earning occupations and the instruction for which federal funds are received should adequately prepare persons for, or improve persons in, such employment.<sup>1</sup>

The entire act, according to the Federal Board for Vocational Education, may be summarized by the statement that it is an act to promote education which fits for useful employment.<sup>2</sup>

Another phase of federal aid in industrial education of a specialized nature is the Industrial Rehabilitation Act, approved June 2, 1920, which provides for a plan of cooperation between the Federal Government and the various states for the promotion of vocational rehabilitation of persons disabled in any legitimate occupation or pursuit and

<sup>1</sup>Bulletin No. 30, *Trade and Industrial Series No. 5*, April, 1919.

<sup>2</sup>For complete text of this act, see Bulletin No. 19, *Trade and Industrial Series No. 1*, October, 1918, p. 117.

their return to civil employment. Various states, recognizing the need for public aid in industrial education, have taken the form of continuation schools or unit courses, usually evening schools. The continuation school work, for example, may be compulsory in nature, while the unit schools are voluntary as a rule.<sup>1</sup>

Training in the last analysis rests upon the initiative of the worker, as expressed through both interest and ability, in pursuing the program of study afforded him. It is therefore imperative that proper encouragement, opportunity, and stimulus be placed before the worker. As in all lines of human endeavor, there probably will always be some who cannot or will not avail themselves of the training advantages offered. This involves the problem of initial selection of students as well as later intelligent elimination. It should always be borne in mind, however, that training under proper conditions is a most fundamental method of selection.

#### SUMMARY—EDUCATION, EFFICIENCY, AND RESPONSIBILITY IN INDUSTRY

Industry has a large function to perform in education. In the performance of this duty it must look not only for technical efficiency but toward the development of responsibility on the part of workers in industry. Modern industry has separated largely the activities of factory life from school life, home life, civil life, and religious activities. But the individual must pursue all of these activities and cannot permit one to submerge the others without loss to himself and to society as a whole. Industry must therefore train for responsibility in the larger sense, which comes not only by instruction, but through the exercise of appropriate responsibility. This responsibility must not be limited to the performance of industrial technique alone, but must take cognizance of the fundamentals of sound citizenship.

<sup>1</sup>See Chapter XVIII for further discussion of this act.

In accomplishing these results it must cooperate with and not attempt to supplant the formal educational systems of the state and society.

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LABOR RELATIONS IN INDUSTRY

PART III

THE DIVISION OF EARNINGS





## XIII

### THE DIVISION OF EARNINGS—WAGES<sup>1</sup>

The wages system. Basic laws governing distribution of earnings in industry. Historical methods of determining wage levels. Criticisms of these methods. Minimum wage and standards of living. Factors in setting a wage level. Standards for determining individual variations in wages. Grading work. Payment methods. Their advantages and disadvantages. No one plan. Setting standards of output. General principles governing payment on production basis. Cooperation of employer and workers. Relation of wages to hours and regularity of employment. Savings sharing plan. Relation of ability and reward.

THE wages system is the basic method by which the worker, under the employer-employee relationship, receives returns on his labor. The wages system, in fact, is an outgrowth of, and assumes the existence of, the employer-employee relationship in the control of industry.<sup>2</sup>

Some of the more important principles and methods related to the application of the wages system to industry will be considered in this chapter. At the outset it is essential to recognize here, however, as in other cases, that the particular form or degree which these principles and methods can best take in any given case depends upon the special conditions to which they apply.

The first principle affecting the actual division of earnings between capital and labor is that *no industry has the right to exist permanently which cannot either by itself or in cooperation with other industries and the community provide a living for its workers*. This principle may be stated

<sup>1</sup>Chapter III, "Fundamental Economic Considerations," should be considered in connection with the present discussion.

<sup>2</sup>In cases of a cooperative group in which definite employer-employee relations do not exist, as in a business partnership or certain of the present-day movements for workers' guilds, this principle in effect is often applied to provide a minimum income for the partners or other members of the cooperative enterprise.

as the fundamental law governing the operation of industry from the standpoint of the division of earnings.

What this living may mean in one case, of course, may be different from what it may mean in another. The acceptance of this principle does not necessarily mean that an industry producing a desirable commodity should go out of existence if it is not at any given moment able to earn a living wage for its workers. Neither does it mean that employer and worker cannot temporarily work together on a basis of less earnings in order to tide over or build up a business. What it does mean is that an industry in such a condition should take positive and intelligent steps to so organize itself or coordinate its activities with other industries or so cooperate with the public as to enable its workers to secure minimum earnings.<sup>1</sup> From the standpoint of operation, it means that industry should proceed on a basis of stable production at levels of activity high enough to enable proper earnings to accrue if it be well managed.

The practical difficulties in the way of accomplishing these measures do not excuse industry from seeing to it that its labor receives such a basic wage. A living wage is first of all a moral and economic right.

The recognition of this principle on the part of industry finds justification, moreover, in the *economic advantages* which industry itself receives through its practice. The adoption of a reasonable minimum wage properly directed promotes efficiency and often makes it possible to utilize a reduced labor force in one place and to employ the other workers in more profitable employment elsewhere because of the increased efficiency. This brings advantages to both labor and industry as a whole. In general, a living wage helps to make for a more interested, efficient, and socially desirable work force.

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<sup>1</sup>This discussion is not intended to deal specifically with the question of the returns to capital as such. As already pointed out it is axiomatic that capital has the right to fair returns on its effort as such, in the calculation of which business risk, among other things, must be given proper weight in specific cases. In brief, the same principle as suggested above with respect to a minimum wage for labor applies to a minimum wage for capital.

The fallacies of the low wage are also exemplified by the fact that the employer who pays low wages, particularly those below an amount sufficient to provide a reasonable standard of living, in effect often employs his establishment as a training school for other employers, as his workers tend to secure employment elsewhere as soon as they have become sufficiently experienced in their occupation to do so.

It is sometimes suggested, in opposition to the principle of the minimum wage, that there is danger of the workers' receiving too high a wage aside from considerations of the wage within itself. The assumption upon which such a position is based is that a high wage produces a state of restlessness and personal inefficiency upon the part of the workers, which results in irregularity of attendance and general shiftlessness and extravagance. While such conditions do occur, they are unusual and temporary in character. Also when such conditions do exist, they emphasize not the need for lower wages necessarily but for proper control of other employer-employee relations.

Even though certain undesirable results may occasionally be due to high wages, the problem is quite distinct from that of the minimum wage. It is a question of appropriate education and incentive making for the proper employment of earnings, and not a question of grinding down wages. Every worker has the right to a chance to make a living. This chance includes proper incentives and surroundings, both economic and social, as well as wages as such. Industry owes the workers this chance. What use the worker makes of it is still another question.

#### WAGES SHOULD NOT BE A MATTER OF RELATIVE BARGAINING POWER OR COMPETITION

This first principle leads to the statement of a further one, which may be adopted as the second fundamental law, that *the determination of a reasonable minimum wage should not be a question of bargaining power, exercised*

*either individually or collectively, or the product of economic competition.* It is a question to be settled upon the basis of *fact*, as nearly as such can be determined in given cases, in the light of fundamental human needs and the condition of the industry. This principle has already to a degree been recognized by law, in which wages are made a fixed charge upon the business.<sup>1</sup> It has not, however, been accepted throughout industry in determining what these wages shall be in the first instance.

#### HISTORICAL METHODS OF DETERMINING WAGE LEVELS

When these principles are once accepted there still remains the question as to just how the wage levels in any given instance shall be determined. A number of methods have been employed throughout industry. Among the typical ones are payment according to:

1. Bargaining power of capital and labor;
2. Supply and demand of labor;
3. Market rate of wages;
4. Sliding scale according to price of product;
5. Cost of living—minimum or living wage, with variations sometimes above this minimum according to cost of living;
6. Output;
7. Economic conditions of the industry;
8. Comprehensive analysis and application of the various factors of employment and conditions of the industry.

These several methods are interrelated, and various combinations of them are sometimes employed. While a statement of constructive methods will be presented later in

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<sup>1</sup>In this connection, the law of New York State, enacted in 1921, which provides that wage claims of employees must be given first consideration when a corporation or partnership is placed in the hands of a receiver, is to be noted. Also note in this regard the provisions of the federal bankruptcy law, making wages a charge upon an employer even after he has gone through bankruptcy, if he reopens business.



which the relation of output and general scientific analysis in the determination of a proper wage will be set forth, certain of the more important historical ones may be discussed here.

#### CRITICISMS OF THESE METHODS

Resort to relative bargaining power between labor and its employer, as already set forth, is not justifiable either morally, or from an economic standpoint. It is based, furthermore, upon a positive tendency to conflict and force, rather than upon reason and equity.

Regulation of wages according to the supply and demand for labor is based essentially upon the theory that labor is a commodity. Consequently, if the fundamental principles set forth above for determining labor's minimum share of the earnings of industry be accepted, the supply and demand theory cannot be justified. After these minimum requirements are once met, labor should be paid what it is worth with proper regard for the condition of the industry, and not merely what demand and supply may bring.

Likewise, payment of the market rate of wages may or may not be fair, being dependent upon how this market rate itself is set. In addition, it so operates in the last analysis as to be more or less based upon supply and demand.

The sliding scale, when used as the basis for determining the basic wage, places the remuneration for labor as directly contingent upon the market price of the product. This price may be controlled by various factors other than those pertaining to a reasonable reward for productive effort. As such this method operates to make labor merely a commodity, aside from making it a possible victim of inefficient management. Only after individual effort and ability have been reasonably rewarded, together with proper provision for a living wage, may additional earnings with propriety be made to fluctuate with prices or profits.

Cost of living is an essential factor to be considered in

determining any wage level. It enters first of all into the determination of a minimum wage, and should also receive proper consideration in setting wage levels above minimum requirements. But the use of cost of living as a factor in determining wage levels, it must be noted, should not only take account whether the initial wage rates from which computations are made are fair and proper, but must also provide for increasingly better standards of living.

The mere fact that the cost of living over a given period of years, say from 1914-20, may have increased 100% does not necessarily mean that a wage increase should be 100% for the same period. If wages were not high enough at the beginning of the period, then the increase in wages should be correspondingly greater. Likewise, if wages were relatively too high at the beginning of the period, the increase in wages, figured on this basis alone, should not be as great as the increase in cost of living for the period. Again, even though the respective increases in the cost of living and in wages may have been the same, it is possible that wages over a long period of time should increase in a greater ratio in order to arrive at an appropriately increased standard of living.

In like manner, the fact that wages and the cost of living both may have increased in the same proportion over a period of time does not necessarily mean that with the decrease in the cost of living wages should decrease at the same rate.<sup>1</sup>

In brief, two questions must be answered: (1) Was the wage at the beginning of the period fair? (2) Have proper provisions been made for any desirable increases in standards of living? These are questions that at present do not always receive proper attention by industry.<sup>2</sup>

<sup>1</sup>In arriving at wage decreases in periods of declining prices it should be borne in mind that a given percentage of decrease in wages means a greater absolute reduction than the same percentage of increase gives as an increase.

<sup>2</sup>The minimum list of items to be considered in determining the factor of cost of living in relation to these several factors may be given as follows:

1. Food

2. Clothing

(Footnote continued on page 231.)

In this connection the interaction of general price conditions and wage levels upon each other needs recognition. During periods of high prices wages tend, aside from changes in bargaining power, to be higher in order to increase the total purchasing power of the wages received by labor and because prices permit it. Likewise higher wages tend to be reflected directly in higher prices. Assuming that proper costs of production and reasonable profits together with fair wages exist, such a tendency for wages and prices to follow each other is natural. This situation recalls the necessity of distinguishing between money wages and real wages, as previously set forth.<sup>1</sup> Thus wages must be considered in the light of buying power and not merely in terms of dollars and cents.

Illustrative of how the application of the principles now employed in setting wages according to prices has often worked out in actual practice is an editorial in the New York *Evening Post*<sup>2</sup> which, in a careful presentation of the relation of wage reductions and buying power, states: "In the earlier part of 1920 statistics indicated that wages declined slightly in relation to prices from 1900 to 1914, that in the first years of the war, wages fell further in relation to prices, but that by 1920 labor had put its wages about where they were in 1914 in relation to prices, or perhaps slightly above that level and closer to that of 1900. Consequently, present reductions in wages, considered in the

3. Shelter

4. Heat and light

5. Education and recreation

6. Sundries, including medical aid, and so forth

For detailed discussion of the application of these and related factors, see articles by Royal Meeker, United States Commissioner of Labor Statistics, *U. S. Monthly Labor Review*, March, 1919, and July, 1919; also report of the Massachusetts State Special Commission on the *Necessaries of Life*, July, 1920, and January, 1921; Irving Fisher, "Wages and Cost of Living," *U. S. Monthly Labor Review*, November, 1918; *Cost of Living in Relation to the Wage Adjustments*, Bulletin of the Taylor Society, Vol. IV, No. 5, October, 1919, W. F. Ogburn, "The Standard of Living Factor in Wages," *American Economic Review*, March, 1923, Suppl., pp. 110 ff.

<sup>1</sup>See Chapter III.

<sup>2</sup>January 18, 1921.

light of statistics for the first two decades of the century, probably mean once more for labor a status in which the ratio of wages to prices is slightly less favorable than it was when the century began."

Industry in the past has generally pursued more or less haphazard methods of determining what wage it should pay its workers. Seldom has any comprehensive plan been adopted.

#### THE MINIMUM WAGE AND STANDARDS OF LIVING

The principle of the minimum wage, when this wage is properly arrived at and employed only to set the minimum, is, on the basis suggested above, both valid and expedient. When, however, this minimum is also made the maximum, as sometimes occurs, the principle is abused.

In applying the factor of the minimum wage three general standards of living need to be considered—the subsistence standard, the comfort standard, and a complete standard. The first provides for the mere necessities of life on a marginal basis; that is, it takes account only of sufficient means to enable the person to live without any further advantages. The second attempts to provide the individual with sufficient means over and above a mere subsistence wage to enable him to enjoy the minimum comforts of life. The third takes into account, over and above the preceding ones, those things that enable the person to enjoy life and to grow and develop most fully, both in his individual traits and in his relation to society at large. Obviously, a reasonable living wage should, under all circumstances, make adequate provision for the first two. On a permanent basis, it should also provide, to a substantial degree, for the third.

These several standards may vary, of course, according to the traits and the requirements of the individual. Fundamentally, however, for the good of society and industry as well as the individual, the worker of low standards of

life should be given opportunity and incentive to develop according to the higher standards, rather than for industry to employ any present existence of low standards on the part of the workers as an argument for low wages. Also these several standards must be constantly reestablished as occasion may require to meet ever-changing conditions in society and to provide for progress. Unfortunately, industry in general has not yet recognized these factors.

#### FACTORS IN SETTING A WAGE LEVEL

From the preceding discussion it is evident that there are various factors that need to be considered in setting a proper wage level. These include not only such external conditions as cost of living and the like, but processes and conditions of work as well as the ability of the worker. These requirements may be briefly listed as follows:

1. The principle of the living wage, recognizing progressive standards of living;
2. Skill, training, and experience required;
3. Physiological and psychological conditions of the work;
4. Speed of performance;
5. The hazards to person;
6. The degree of responsibility and relative importance of the job;
7. Opportunity for promotion, both financial and in position;
8. Individual or group character of work;
9. Regularity and certainty of employment;
10. Regularity of work schedule or overtime and holiday work;
11. Stability of the business over and above the meeting of minimum requirements.

Regard also needs to be taken for the scales of wages paid for similar kinds of work in the same industry as well



as in other industries, so long as this does not vitiate the application of the requirements set forth above. At the same time careful attention must be given toward eliminating destructive competition for labor in competing markets, by adopting the policy of wage equalization between the various markets in industry or industries having similar occupations, with due regard to variations in the cost of living and other factors in different districts.

In case of substantial variation in wages for work of similar nature between an industry that meets these requirements and others that do not, proper readjustments should be made in the other industries, rather than attempt to make any given industry conform to the rates in other industries in violation of these requirements.<sup>1</sup>

Another factor of significance regarding the determination of wage levels is the necessity of maintaining proper ratios between the wages of the different crafts or occupations. This problem assumes two phases—one, the establishment of proper differentials between the different occupations themselves, and the other, reasonable standardization of wage levels for the same or similar occupations. Both of these problems must be handled in accordance with the fundamental principles of determining wage levels as set forth above with due regard to the relative difficulty and importance of the various occupations involved.

#### STANDARDS FOR DETERMINING INDIVIDUAL VARIATIONS IN WAGES

Variations in rates of individual workers from the general levels determined by these basic factors for each type of work are contingent upon the following factors:

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<sup>1</sup>The Esch-Cummins railroad bill of 1920 provided that consideration be given to (1) scale of wages paid for similar kinds of work in other industries, (2) the relation between wages and the cost of living, (3) hazards of employment, (4) training and skill required, (5) degree of responsibility, (6) character and regularity of employment, (7) inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments. (Reported in the *Survey*, August 2, 1920; *U. S. Monthly Labor Review*, April, 1920.)

1. Amount of output
2. Quality of output
3. Waste materials that can be avoided
4. General value as a worker, including initiative and ability to assume responsibility, and the like

Length of service is also a factor that should be taken into consideration in determining individual variations in wages. Consideration of it as a factor receives its justification upon the theory that, other things being equal, the continuous service of a desirable worker for a given period of time not only makes for greater productivity as such, but adds good-will to the organization. Thus, other things being equal, one desirable worker in continuous service for five years is more valuable than five separate workers in succession on the job for one year each. In applying such a principle, of course, account must be taken of the nature of the work and the relative desirability in some lines of work of securing new ideas by bringing in new workers from time to time.

#### GRADING WORK WITHIN A GIVEN WAGE LEVEL

Within the general level of wages for a given occupation certain grades of work, usually two or three, may be established. In setting these grades of work, the lowest grade is determined upon the basis of minimum standards of proficiency, over and above which are added grades for greater proficiency in that occupation. These grades are determined on the basis of quantity and quality production, together with account of waste materials and of the general value of the worker.

In any case, consideration must be given to determining in a fair manner the *marginal producer*, or the worker who is just proficient enough to warrant employment in the given occupation. The question of the *submarginal producer* or the worker who is not able in a given line of work to mea-

sure up to the minimum requirements, is a question for other consideration. The present discussion assumes that the worker fulfils the reasonable minimum requirements of proficiency.

The principle that once minimum productivity is reached the worker in each occupation should then be paid, assuming that proper standards of living and the other general requirements are provided for, according to his skill and value in the work and other personal factors, is a valid one. The standards for these several grades of work, however, should be arrived at by *common agreement* between employer and worker. Much of the apparent opposition of labor in the past to any system of grading the worker within a given occupation, it may be noted in this connection, has not been based upon the desire to hold down permanently the worker of exceptional skill and performance, but to *protect* the workers in the lower grades of productivity.

Along these lines the statements of Herbert Hoover before the Federated American Engineering Societies, in 1920, are significant. In speaking of a plan for establishing two or three levels of wages in each occupation, Mr. Hoover said: "This plan should be developed upon the principle of extra compensation for added skill and performance by an agreed basic wage. In order to give confidence, the classification under such scales must be passed upon by representatives of the workers in each shop or department. This plan is now being successfully experimented with."<sup>1</sup>

The application of these principles in the setting of wage levels necessitates careful grading and standardization of the various occupations. Facilities for handling the work and also opportunity of turning out a high-quality product at a satisfactory rate of production, from the standpoint of the worker, are essential. In addition to the elements of the work itself, proper working conditions surrounding the job, such as heating, lighting, ventilation, sanitary provisions, protection from dust, and the like, must be established.

<sup>1</sup>Boston *Traveler*, December 6, 1920.

## PAYMENT METHODS

After the wage levels have been set and the general principles according to which the possible amount of earnings to workers within the given occupations are determined there is still the question as to exactly *how* these wages shall be paid. In general, there are three methods of payment: (1) time-work, (2) piece-work, (3) and combination of time-work and piece-work.

*Time-Work.* Under the time-work method of payment, the worker, receiving as he does payment by the hour, day, week, or other period of time, in a general sense gets paid for time worked rather than work done. This is provided, of course, that the minimum requirements of productivity and quality are complied with. This method is justified on the assumption that if the worker works he should be paid whatever the proper amount may be for the time that he works. If he does not measure up to the reasonable requirements of the job, then he should not work on that job. As indicated, this plan has been a general one throughout industry for giving the worker entire returns for his labor.

*Piece-Work.* The piece-work method of payment compensates the worker on the basis of his output. As to whether his compensation rewards him in direct proportion to labor rendered or merely tends to reward him *up to a degree* for extra effort, depends upon two things: (1) whether the rate of pay is made to conform directly to increased service, and (2) whether the physical equipment, nature and flow of materials, and general surroundings give the worker sufficient opportunity to accomplish results in direct proportion to his effort.

*Time and Bonus.* The third method combines the *time method* and *piece method* by first providing for a basic time wage either directly or as a guaranty, and then giving

compensation for output over and above the standard of output upon which the basic wage is established. In some cases the total wage is computed on the basis of straight piece-work, with provision made for falling back on the guaranteed time-rate in case the remuneration to the worker, for reasons beyond his control, does not reach the standard minimum amount. Numerous variations of this combination method, of course, may be employed.

The third type is usually referred to as the *time-and-bonus system*. Certain variations of it are referred to as the task-and-bonus system. But in these cases unless the task is based upon an outright piece-work plan, there is at basis no essential difference between it and the time-and-bonus system.

#### TYPICAL TASK-AND-BONUS PLANS

The typical time-and-bonus or task-and-bonus systems are:

1. *The Halsey Premium Plan*, under which the worker is credited with one-third or one-half of the time saved over the standard time, in addition to the time rate.
2. *The Rowan Premium Plan*, which provides, in addition to the payment of a regular time-rate, a premium equal to the percentage of time saved multiplied by the total wage for the time in which the work is performed.
3. *The Taylor Differential Piece-Rate Plan*, under which an ordinary piece-rate is paid for output up to a given standard after which a higher piece-rate is paid for the entire output, with possible modifications so as to make for gradual increases by increasing the rate per piece for total output after a number of successive standards of output are reached.
4. *The Gantt Task-and-Bonus System*, which, as a variation of the Taylor Piece-Rate System, provides a basic rate per hour up to the point that the worker meets



the standard task, and then in effect a straight piece-rate plan of a bonus of from 20% to 50% on all production beyond that standard.

5. *The Emerson Bonus Plan*, which provides a day-rate with a gradually increasing bonus which begins with a very small bonus for an output of 67% of the standard output.

6. *The Bedaux Plan*, which in effect takes the time-and-bonus plan and, after first paying the worker for the actual time worked, provides for increased compensation by changing its basis from time as such to units of effort derived from the standard set for the job as a whole, which is then broken down into the units per minute, or B's.<sup>1</sup>

#### ADVANTAGES AND DISADVANTAGES OF THE PAYMENT METHODS

1. *Time-Work*. It is apparent that the time-, piece-rate, and combined time- and piece-rate methods of payment each have advantages and disadvantages. The time-work method has the advantages of being simple in arriving at the total wage and of being easily understood. It does not possess the danger of stimulating overwork because of extraordinary incentive. It also does not permit, so easily as the other methods do, unscrupulous shifting of standard of output or cutting of rates of pay when increased output is attained by the worker. It is not as directly dependent, moreover, upon a careful grading and standardization of the materials and processes of production and conditions of work as are the other methods, in order to assure the worker his wage.

<sup>1</sup>For brief, detailed discussions of the application of these several plans, see N. I. Stone, "Wages, Hours, and Individual Output," *Annals of the American Academy of Political and Social Science*, September, 1919; Alfred B. Rich, *Wage Setting Process*, Federal Board for Vocational Education Bulletin, No. 44, November, 1919; L. V. Estes, "Comparison of Wage Incentive Systems," *Industrial Management*, Vol. LX, No. 3, September, 1920.

On the other hand, certain disadvantages have developed regarding this plan as a sole means of wage payment. It is pointed out that sometimes the worker, knowing that if he puts in the given period of time he will receive his wage after a certain standard is reached irrespective of the amount or nature of his work, does not work to the best advantage to himself or to his employer. Desire for promotion, however, and desire on the part of the conscientious worker to render proper service, often offset these tendencies. The straight time wage, furthermore, is not readily adaptable in rewarding appropriately varying amounts of output on the part of the worker.

2. *Piece-Work.* The straight piece-work system, other things being equal, enables the worker to receive remuneration in direct proportion to his output. But it may have very serious disadvantages. First of all, as has already been pointed out, if the worker contributes his labor for the given period of time, he should receive a minimum return on that labor, provided that he is proficient enough to be doing that job. If he is not proficient he should work at some other job. Second, it is apparent that while the straight piece-rate system may reward the worker for his *output*, it does not necessarily reward the worker fully for service rendered, as the separate unit of output may not directly represent the labor contributed. After a given point, which may be described as that of the *normal* rate of production for the typical individual worker, greater output is the result of greater and more difficult effort on the part of the worker, and can well merit a larger rate of compensation than earlier units of output. The same principle, for example, is sometimes recognized on the time basis in the payment of a higher rate of wage for overtime work. Also the increasing units of production are actually worth more to the company than the preceding ones through the reduction of the cost of overhead expense per unit. On this basis alone the company could quite well afford to pay for the units of output above

this point a premium greater than 100% of the rate paid per unit of output for the production below the given point. The rate of pay should therefore be made to conform directly to increased service, as well as to output as such, which usually is not the case. Third, the worker must have proper facilities for doing his work. Fourth, the worker is made subject to loss of earnings through inefficient or unscrupulous management. Fifth, straight piece-work may stimulate speeding up and overwork easily resulting in injury to the worker, unless careful safeguards are employed. Sixth, it readily operates to bring about quantity production to the sacrifice of quality on the part of the unconscientious worker unless there is close supervision and inspection of work. Seventh, after increased standards of output have been reached by the worker, there is a stimulus, too often followed, for the employer to cut the rate of pay per unit of output.

3. *Time-and-Bonus and Task-and-Bonus.* The combined time-and-piece-work method has the advantage of guaranteeing the worker a fixed wage for the time that he works, and of enabling the superior worker to receive payment for output over and above a given standard of production which presumably represents the output of the average worker. It thus possesses certain of the chief advantages inherent in the time-work method and the straight piece-work method when they are employed alone, and at the same time makes for eliminating the disadvantage of causing the unconscientious worker to shirk under the former method and making the worker rely solely upon the factor of output irrespective of the time worked under the latter.

To the extent, however, that this third method employs the piece-rate system, it is subject to the disadvantages, aside from failure to reward time worked, inherent in the piece-rate system itself. This combined method does not possess, however, the same stimulus to quantity output at the sacrifice of quality output that the straight piece-rate system

does. In either case quantity as well as quality production should be made a factor upon which acceptance of the work is conditioned. In some types of work quality is hard to check up in the finished product, and here any system that makes for skimping of quality presents a serious problem.

In addition, since the task-and-bonus system requires the setting up of the standards of output over and above which the premium comes into effect, it is subject to real difficulties as well as dangers in determining this standard. Sometimes this standard is set too high, representing the output of the superior worker rather than that of the typical or average worker. Also, sometimes the standard here is arbitrarily increased after workers have gone beyond a certain degree of proficiency on the work following the introduction of the piece-rate element. Either of these conditions has the effect of reducing the wage while at the same time requiring greater and harder work with increased output. Again, it may be emphasized that the rate of pay for the premium over and above the standard output, or whatever the dividing line between the time-rate and the premium may be, must truly reward the worker for *additional service rendered*. As a rule, the worker in the past has received only a fraction of his regular rate of pay for work done beyond this standard.

As previously noted in regard to the straight piece-rate system, when the worker comes to a degree of efficiency that gives him large earnings, the rates of pay sometimes are arbitrarily cut, the bonus in these unfortunate cases being used as a subterfuge in getting the workers committed to a program of increased units of production. It is to a large degree such arbitrary rate-cutting or setting of higher bonus lines that has brought wide-spread disapproval by labor of any system involving piece-rates. On the other hand, if under the time-and-bonus system the company pays a time-rate higher than what might be properly termed the real value for the time worked as such, it is, of course, entitled to a proper allowance on the portion of the wage above the fair time wage in setting the rates for the piece-work itself. The

combined time-and-piece-rate method, therefore, if it is fair, assumes the setting of a true standard of output based upon the production of the average worker, with the bonus rates properly adjusted to reward fully the worker for his service over and above the standard of output up to which he receives remuneration on the basis of the time wage.

#### NO ONE PLAN UNIVERSALLY BEST

It is obvious that no single one of the methods of payment just described possesses all the advantages or disadvantages, from the standpoint of either the worker or the company. Under certain conditions the time-rate may be best. Under certain other conditions the use of the straight piece-rate may be feasible. Where, however, any large number of workers are employed in the same occupation in which varying rates of output according to different abilities are possible, the combination of the time- and piece-rate methods, properly applied, can be made to possess distinct advantages. But the straight time method of payment, with the modification under which several grades of work with the corresponding rates of pay within each occupation may be set up, in effect achieves many of the ends sought under the combined time- and piece-rate method as such.

#### SETTING STANDARDS OF OUTPUT

Two general methods are employed in setting standards of output, particularly under systems of payment that involve the piece-rate method or similar plans. These are: (1) time study, or motion study, and (2) actual try-out on the job.

1. *Time Study.* Under the first method the attempt is to analyze carefully the various elements of the job, unit by unit, and by getting the usual time required to complete each unit of work, determine the rate of output for the given period. Time study has been defined as: "A method of determining the quantity of output that a capable worker



may reasonably be expected to produce in a specified time with specified equipment and materials. A time study involves an analysis of one or more operations into the elementary motions in its performance; the modification or elimination of the unnecessary motions; and the determination of the time required for the performance of the essential motions with allowance for such factors as interference, fatigue, and inertia."<sup>1</sup> This output is often figured for an hour period, but sometimes different time periods are used. The rate of output is in most cases also figured on the per-man basis, but in cases of large units of production, such as in the open hearth or rolling mills in the steel industry where the product is the result of the combined labor of the entire gang working together or in succession, the calculation must be made on a group basis. In these cases the amount a man earns does not depend entirely upon his own efforts, as he is not solely responsible for maintaining output.

Quite frequently calculation of the time required for doing each unit of work is made with the aid of a stop-watch by which the time is taken for each operation. Such methods for determining the standard of production for each unit of output, when properly applied, make for precision and accuracy. Unless carefully applied, however, they are susceptible to the dangers of error in timing on the part of the observer. The worker sometimes is also placed under unnatural and unfavorable conditions of work, either physical or psychological, which do not make for securing typical results. Again, in some types of work, the aggregate time for completing a job as determined by putting together the successive times for each element of the task does not necessarily represent the true combined time required for completing the job under conditions of continuous production. This discrepancy may be enhanced for work lasting over relatively long periods of time, because of the entrance of the factor of fatigue as well as normal movements which the

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<sup>1</sup>*Labor Terminology*, Harvard Bureau of Business Research Bulletin, 1921, No. 25.

worker makes from time to time aside from those in each separate unit of output as such. Hence allowances must be made for numerous factors on the basis of continuous production, as well as seeing that the standard of output is based upon a normal and *reasonable rate of speed*.

2. *Try-out Method*. The other method, or the try-out method, sets the standard on the basis of actual try-out on the job as a whole under regular conditions of continuous production. This method requires that the worker who is acting, either knowingly or unknowingly as the case may be, as the try-out man must produce at a fair and reasonable rate of speed. But once this condition is assured, which is also necessary under the motion-study method, it has the distinct advantage of being determined upon the basis of continuous production by a typical worker under normal conditions over periods of time. It thus is determined more by the pulse of the worker, so to speak, instead of by the tick of the watch. The use of this method also necessitates well-trained and careful observers for confirming rates of output, but is not as directly dependent upon this as the time-study method.<sup>1</sup>

3. *Estimation*. Sometimes a third method is used, by which some expert in the line of work involved merely estimates the proper standard of output. This method is obviously subject to all of the dangers of inaccuracy based upon possible lack of facts regarding the exact operations in the job as well as other errors arising from wrong judgment and sole reliance upon the personal equation.

#### GENERAL PRINCIPLES GOVERNING PAYMENT ON A PRODUCTION BASIS

In applying any plan of payment in which additional pay is contingent upon additional units of output, the interests

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<sup>1</sup>This method has been generally employed throughout the factories of the National Cash Register Company, Dayton, Ohio, which regularly employs over 6,000 workers on many and varied jobs.

of both the worker and the company must be safeguarded. The following principles to govern any system of payment on a production basis is offered as suggestive of what these safeguards may properly be.

1. A joint committee of the employers and workers shall have jurisdiction over all matters of mutual interest between employers and workers in determining and administering any system of payment on a production basis that may be agreed upon.

2. The regular daily or basic wage, or such other wage as may be comparable to the existing wage level, and which also shall be a fair basic wage, shall be guaranteed as a minimum wage to all reasonably proficient workers according to their particular classification in each case, irrespective of any methods of payment for production over and above the standard that may be mutually agreed upon as a reasonable amount of production for a day's work.

3. A reasonable standard rate of production, which shall represent an average day's work for the average or typical efficient worker, shall be established by mutual agreement. This reasonable standard rate of production shall be the basic day's work.

4. The workers, through such means of representation as they may choose, shall have a positive voice in the actual setting of standards and rates of production, amounts of production varying from such standards, fair rates of pay, and so forth.

5. Adequate guaranty shall be given against excessive standards of production and against cutting the rates of pay under the production basis of payment.

6. Proper protection shall be made against speeding up and excessive production by the workers, through setting a proper limit of maximum production in each case, together with other appropriate safeguards that may be agreed upon.

7. Reasonable means shall be taken to assure proper flow of materials and equipment for workers. When the supply of materials or equipment falls below reasonable requirements, proper provision shall be made for the worker to receive due allowance in payment for same. Proper safeguards shall be made against lay-offs or other kinds of unemployment to workers because of overproduction.

8. Other things being equal, the worker beginning an occupation without experience shall be started on the day-rate basis to avoid overwork or overanxiety on his part, and shall then be changed to the production basis when conditions are appropriate.

9. Upon the introduction of new processes and machinery proper arrangements shall be made for workers to adapt themselves to the new conditions.

10. Any system of wage payment on a production basis that may be adopted shall have no effect as such on determining the general basic wage levels for the industry; that is, the basic wage itself shall not be affected by increases or decreases in earnings by the workers on the production basis, but shall be determined as set forth under principle number 2, above.

#### POSITIVE COOPERATION BETWEEN EMPLOYER AND WORKER NECESSARY IN DETERMINING WAGES

The successful administration of any plan of payment, particularly those involving directly or indirectly piece-rate methods, is dependent upon the intelligent cooperation of employers and workers with each other. This involves, either formally or informally, joint conferences between the employers and the workers, with the workers possessing a real voice. Such joint dealing performs two distinct functions with regard to wage adjustments. First, it gives a medium through which workers can become educated regarding the facts and policies of the business as related

to the particular question at hand, as well as through which the company can keep constantly informed regarding the workers' attitude in these matters. Second, by furnishing the workers a means through which they can safeguard their interests, it promotes *confidence* in the system and in the management which is essential to its success.<sup>1</sup>

The advantage of wage plans and wage rates being determined upon within any given industry, rather than by outside governmental agencies, is apparent from the foregoing considerations. Where compulsion or lack of exercise of free will on the part of either party to production exists, both quality and quantity production are likely to suffer through lack of the presence of confidence and positive interest. It is equally apparent that, if other considerations are properly cared for, it is desirable that minimum wage rates be determined upon by industry itself rather than through legislation. When, however, industry does not adjust these matters satisfactorily, action on the part of outside agencies as represented by duly constituted government may be justified.

#### RELATION OF WAGES TO HOURS AND REGULARITY OF EMPLOYMENT

The relation of wages to hours of work and regularity of employment should be emphasized. Even though wage levels, when set according to year-round schedules or operation, be fair, and the methods of payment be satisfactory, the worker on the one hand may suffer through unemployment or excessive hours of work, while on the other hand the industry may be made to carry a heavy burden because of unnecessary overtime work for which it pays highly increased rates. Satisfactory arrangement of wage matters, therefore, requires that proper consideration be given to hours of work and regularity of employment. Long hours

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<sup>1</sup>See Chapters VI and VII for general consideration of employee representation and cooperative management.



of work may reduce the efficiency of the worker and thus, under some systems of payment, cause him to work longer and receive less in proportion to his labor expended. Also, a high rate of wage on an hourly or daily basis, with only sporadic or seasonal employment, prevents the earning of what would otherwise seem to be a fair yearly income. Likewise, unnecessarily prolonging hours of work so as to require overtime work, especially at higher rates of pay, also abuses a *bona-fide* wage level. Necessary overtime work fairly arrived at should, of course, be properly rewarded.<sup>1</sup>

Sometimes plans are introduced whereby workers receive, in addition to their regular wage, a certain commission or premium for savings in the materials or machinery with which they work. Whether recognition of the worker's scrupulous care in preventing waste is made a part of the regular wage or a special reward would seem to be immaterial, so long as the factor is properly taken into account. As previously indicated, the factor of avoidable waste is one that enters into the determination of possible variation of the individual's earnings from that general wage level from which he falls, and the exact form for recognizing this factor can thus be determined according to the particular conditions of the case in question.

#### RELATION OF ABILITY AND REWARD

A question that arises in any consideration of wages and earnings is, "Does the individual have the right to share by himself all of the returns from his efficiency?" Obviously, the unscrupulous or shiftless worker should not be a parasite upon the conscientious worker, and hence the answer to the question will be considered here only from the standpoint of the conscientious and capable worker. Another way to put the question is, "Does the person of superior

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<sup>1</sup>For discussion of unemployment, see Chapter XV, and for discussion of hours of work, see Chapter XVII.

capacity, that is, of more than average ability, have the right to retain all of the returns on his capacity?" In answer, it would seem that he has a right to greater returns in proportion to greater ability, if he properly applies it, but also that he has a greater obligation to society and to his fellows in the same proportion. It is the latter point, that of his increased obligation, that too seldom has received consideration in determining the ratio of earnings between the higher salaried worker and the low wage earner. In addition, without the cooperation of the great group of those who possess lesser abilities, the person of superior ability does not have opportunity to apply that ability successfully. Their efforts are mutual, and their rewards should be mutual to the extent of rewarding their cooperative effort. This is not socialism and it does not mean equal distribution of wealth—it merely recognizes the element of social obligation.

The acceptance of the wages system as the primary method of remuneration for the worker is arrived at on the theory that the reward for initiative and ability as expressed on an individual basis of both labor and management is cared for by wages fairly applied—meaning that there should be a basic wage for workers sufficient to provide for a minimum standard of living, to which should be added such an amount as the conditions of the industry and the individual accomplishments of the worker may justify before profits are realized. In setting the level of the basic wage, consideration may be given to any earnings derived from the business to the extent that such earnings may be reasonably predetermined.

#### GENERAL SUMMARY

Employment of the wage system under satisfactory conditions of determining a basic wage level and methods of payment that properly reward individual effort, in conjunction with a *bona-fide* and fairly determined system of profit-

sharing,<sup>1</sup> would seem to be both feasible and expedient in arriving at a reasonable solution of the problem of the division of earnings in industry. The exact emphasis to be placed upon wages as such or profit-sharing as such should be determined by the particular conditions to which they are to be applied. Under the definite employer-employee relationship the wage system should receive first consideration, being a first charge upon the business. At the same time, it is both desirable and practical for the wage-earner to share in the profits of his enterprise, and when he desires, to own a part of its capital. In fact, it would seem desirable that the development of industry in the future should make it possible for more and more wage-earners to assume the greatest possible degree of proprietorship and to that extent, at least, not be wholly subject to wages and the uncertainties of employment. The relation of the question of division of earnings in industry to that of the growing desire of workers for financial proprietorship is both significant and direct, being a part of it. It is also inseparably linked up with the problem of the management of industry in its most fundamental sense.<sup>2</sup>

<sup>1</sup>See following chapter for detailed discussion of the relations of profit-sharing and wages.

<sup>2</sup>See Chapter III for further consideration of primary economic factors involved here.

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## XIV

### THE DIVISION OF EARNINGS—PROFIT-SHARING

Two ways of distributing earnings in industry. Limitations of the wages system. Place of profit-sharing. Many so-called profit-sharing plans not profit-sharing. The basis of profit-sharing. Distribution between capital and labor. Pro rata distribution to workers. Primary and secondary wealth. Stimulation of individual effort. Need for workers' understanding of business economics. Standards for profit-sharing. Trends in profit-sharing and typical plans. Stock-subscription plans. No fixed plan. Profit-sharing and workers' participation in management.

THERE are two general ways of effecting a distribution of earnings in industry as they directly affect the relationships of capital and labor. The first is the wages system. The second is some give-and-take process between capital and labor based directly upon the actual net earnings of industry.

#### THE WAGES SYSTEM IN RELATION TO PROFITS

Under the first method labor, in the past, has not got and cannot as a general rule get its fair share of the product of industry without placing too great a burden upon industry before earnings are determined. Wages are a fixed charge upon business, and consequently can at best only be approximated with respect to their relation to profits before profits are actually earned. Because of lack of knowledge of conditions and of earnings before they are realized, it is not possible, except through chance, to set a wage rate beforehand that will correspond fairly to the earnings of the enterprise. Furthermore, after a certain level of wages is once reached in any given case, the risk to business, in putting wages above that level before profits are actually earned, is too great to be practicable.

Hence, the natural tendency of the business enterprise is



to keep the wage low rather than high. Likewise, the natural tendency of labor is to keep the wage level as high as possible.

The bonus or piece-rate systems are sometimes offered as caring for the added increment of earnings due the worker over and above the fixed wage, if his productiveness warrants. But as noted in the previous chapter, these systems reward only the extra effort of the individual worker or individual unit or workers from among the whole cooperative group. Being based upon quality and amount of output, they are to be considered apart from profits as such and may be rightfully considered as a part of the definite wages system.

In brief, the definite tendency under the wages system alone is either for wage levels to be higher, if labor gets a fair return for its labor, than the business can well accept beforehand as a fixed charge, or for wages to be lower, if the business does not assume too great a risk, than gives a fair return to labor. These two courses make for continuous conflict, if not openly, at least in the frame of mind existing between workers and employers.

#### PROFIT-SHARING

A second method, profit-sharing, not a complete system of remuneration but supplemental to some form of wage payment, therefore seems necessary to insure to all a fair distribution of the earnings created through the productive process if one accepts the principle that labor and capital are partners in production. First there should be a basic wage for workers sufficient to provide for a minimum standard of living, to which should be added such an amount as the condition of the industry and the individual accomplishment of the worker may justify before profits are realized. This wage should be considered as a fixed charge upon the business. Capital also should receive a fair interest over and above operating expenses and fixed charges.

This may be considered as the minimum wage for capital. Then over and above this wage and interest the earnings *when realized* should be shared in an equitable proportion by capital and labor jointly in direct fluctuation with the profits.<sup>1</sup> This joint sharing by capital and labor of the net earnings of industry over and above the fixed wages on labor and the fixed interest on capital is *profit-sharing*.

As a practical economic proposition, profit-sharing if it is to be successfully applied must meet a threefold requirement.

1. It must provide for wage-earners as well as for managerial employees a substantial return from the distributable profits.
2. It must permit both group effort and individual initiative to be rewarded.
3. It must safeguard the stability of the business.

The first is necessary in order to meet the economic needs of the workers; the second, to stimulate cooperative effort and individual enterprise in business; and the third, to protect and develop business itself.

#### MANY SO-CALLED PROFIT-SHARING PLANS NOT REAL PROFIT-SHARING

It is fair to say that very few of the plans termed profit-sharing thus far introduced into business meet these needs. It is particularly true that they fail to give substantial help to the rank and file of employees. Most of the plans have been very restricted in purpose, limited in the amount of profits distributed, exacting in the service requirements for eligibility, often prohibitive in the financial restrictions imposed upon the workers, or narrow in the number of workers who benefit by the plan. Many of the plans styled profit-sharing, moreover, are not profit-sharing plans at all. Some of them are merely bonus plans and others are really

<sup>1</sup>See page 257 for further discussion of this point.

stock-subscription plans, without direct relation to profits and often so restricted in application that the average worker receives little from them of substantial or permanent value.<sup>1</sup>

The most general and fundamental criticism of profit-sharing as heretofore applied in business is that it has not, as a means for the company to divide the distributable profits with its employees, contributed in a substantial degree to the benefit of the wage-earners. It usually has not aided them materially in meeting the pressure of economic necessity, even when they have been participants in a profit-sharing system, nor has it helped to provide them the opportunity to promote culture and to enjoy reasonable pleasure in life.

Again, many people have considered profit-sharing a *contribution* on the part of the employer to his employees. However great or small this contribution might be, or however great or small the proportion of employees affected, it has been thought that the employee so fortunate as to participate should feel grateful for what he received.

Such conditions as these have had a very detrimental, if not disastrous, effect on the whole movement for profit-sharing. Often these ill effects have greatly influenced the other economic and personal relations between employer and employees. Workers have become suspicious of any plans put forward for their consideration and benefit, and have come to feel that there are entanglements somewhere or that the plans in some way affect adversely their legitimate wage or salary. In some cases these fears on the part of the workers have been fully justified, and in other cases, though not based on fact, have operated to impede the success of *bona-fide* plans introduced in their behalf. It would be much better for employers not to introduce so-called profit-sharing plans at all unless they are truly plans for the mutual and material well-being of all.

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<sup>1</sup>See page 273 for further discussion of stock-subscription plans.

## THE BASIS OF PROFIT-SHARING

Profit-sharing is not a gift, but a right. Its basis is not benevolence, but the right to share equitably in a joint product. This right is both economic and ethical.<sup>1</sup>

Profit-sharing rests its claim upon the principle that co-operative effort is more productive than individual and uncoordinated effort. It concerns itself essentially, therefore, with the profits derived through group effort. It requires that these profits, after individual effort has been justly rewarded, shall be shared primarily so as to benefit the whole cooperative group.

It accordingly proceeds with the stipulation that labor, on the one hand, already shall have received just returns for labor *per se* and capital, on the other hand, already shall have received just returns for capital *per se*, when profit-sharing begins.

It is a valid assumption that the reward for initiative and ability as expressed on an individual basis by labor and management is cared for by wages and salaries when fairly applied, and that the reward for initiative and ability as expressed on an individual basis by capital is cared for by fair interest on investment.

On the other hand, the reward for initiative and ability as expressed on a cooperative basis by labor, management, and capital, all working together, is cared for by profit-sharing after all of the members of the cooperative group have received just returns for their effort as individuals.<sup>2</sup>

## THE DISTRIBUTION BETWEEN CAPITAL AND LABOR

In practice the foregoing principles require that:

<sup>1</sup>The limitations of profit-sharing in actual practice, as set forth in the following pages, must be considered in connection with this principle.

<sup>2</sup>It is true, of course, that cooperative effort makes possible the earning of larger rewards for individual effort than the uncoordinated effort of individuals would permit. The dividing line between the two from the standpoint of ability to influence earnings is rather intangible, but the dividing line from the standpoint of division of earnings can be made quite definite on the basis of practical human needs and business practice.

1. Labor and management should receive due returns for their individual service as such in the form of a just and adequate wage or salary, whether this wage or salary be fixed or fluctuate according to individual productivity.

2. Capital should receive due returns for its investment as such in the business, in the form of a fair interest on the money invested.

3. Labor and capital together should share the distributable profits that arise from the joint efforts of both, without which cooperation neither could produce those profits.

In making this distribution, provision must be made, quite naturally, for all expenses and losses incurred in the conduct of the business for the year, including fixed charges, for necessary additional working capital after fixed charges are met, and for fair return on the capital invested. Risk should receive its proper reward. The exact proportions to be distributed to the several interests involved must be determined by the particular condition of the business concerned.<sup>1</sup> The requirements of a young and struggling concern that has not yet had the opportunity to build up a strong working reserve may well be quite different from those of an old and stable concern in the same industry.

In applying these several factors, the stability of the enterprise itself, of course, must be insured by reinvestment of the necessary earnings to build up and maintain the business properly.

In opposition to profit-sharing, and any form of cooperative sharing or joint management, the point of view may be presented that, since the organizer of a given business enterprise, or the *entrepreneur*, assumes the risk of the loss of his investment when he starts a business, his obligations to his workers are met when he pays proper wages and salaries and provides decent working conditions. In answer to this theory it may be stated:

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<sup>1</sup>The discussion here assumes that, when this distribution between capital and labor in a given enterprise is made, the share of profits to which society in general is entitled (that is, taxes) has already been determined.



1. That while the *entrepreneur* or promoter assumes the risk of loss of investment, he does so in anticipation of, and because of the apparent opportunity to reap, gains at least proportional in magnitude to the risk assumed; and this opportunity would not exist without the cooperative or joint effort of his workers in the enterprise. In other words, through their economic and moral cooperation, the workers contribute just as necessary an element to the enterprise as he does.

2. The workers assume the risk of unemployment if the business fails, just as the promoter of the business assumes the risk of loss in investment. Often, this risk of the worker is more vital to him individually, and is fraught with greater social dangers than the risk of the promoter.

3. In practice, the promoter does not usually assume all the risk himself, but joins with himself other promoters, who share in the risk. The risk of the promoter's losing all his capital in a single enterprise is thus greatly reduced, and his risk of being forced into individual economic embarrassment is less than that of the individual worker.

4. If workers shared more in the profits, and if proper conditions existed for their education in business, they would be able to join in the promotion of business as such, and therefore share their proportionate risk of investment loss as members of the promoting group, over and above their status as workers in the enterprise.<sup>1</sup>

#### PRO RATA DISTRIBUTION TO WORKERS

In meeting the requirement that the distributable profits, after individual effort has been fairly rewarded, shall be shared primarily so as to benefit materially the whole cooperative group, it is necessary that some principle be adopted

<sup>1</sup>The last three points also apply in answer to the argument that, if the worker as such shares in profit, he should also share in losses. Also, it would not seem fair to require a worker to share losses without a material or equivalent voice in management to that which the employer himself has.

to govern the rights of the individual worker in the *pro rata* distribution of the total returns to be shared by the workers themselves.<sup>1</sup>

A principle, for example, to meet this purpose is based upon the combined relationship of the individual worker's power to influence profits and the relative requirements of the economic group into which he falls, as indicated by his wage or salary. It thus provides that among those workers who feel economic pressure most, the worker of higher earnings shall share in the profits in a lower ratio to his wage or salary than the worker of lower earnings, at the same time permitting the former to receive in the aggregate a larger amount of sharings than the person below him in earnings. Any plan for the *pro rata* distribution of profits will be somewhat arbitrary, but certain basic factors can be determined. The principle mentioned above enables the large group of wage-earners and low-salaried workers to share substantially in the profits to be distributed. Economic justification of this principle is found in several factors, aside from the fundamental tenet already stated, that profit-sharing relates essentially to profits earned through group effort and therefore should be sharable so as to benefit the whole group.

These factors may be briefly summarized as follows:

1. In numerous cases arising out of present economic conditions the distribution of returns from production, or of wealth, has been such that the low-salaried person or wage-earner has not received sufficient return either for labor *per se* or from the profits derived through joint effort to permit him to maintain an appropriate standard of living. In this connection, it is well to emphasize that an appropriate standard of living requires that he be able to meet the necessities of life and have the opportunity to enjoy reasonable pleasure and to promote culture. Standards of liv-

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<sup>1</sup>This question does not arise regarding the apportionment of the share of "distributable profits" that go to capital as a whole, as the amount of investment governs the matter in this case.

ing, of course, vary, but these privileges constitute an inviolable right of every conscientious worker in society, whether in meeting these demands he shares in the wealth of society in the form of wages or profits.

2. The sharing of the group of returns derived through combined effort has been, broadly speaking, skewed upwards out of proportion generally, and often totally, in favor of the high-salaried person or of the "high-earner" who comes within the top rounds of the scale.

3. The high-salaried person or the "high-earner," by virtue of his greater earnings, has shared in a larger proportion in what would otherwise go to distributable profits to be shared in by all. This part, furthermore, has been *guaranteed* him in the form of the fixed wage or salary.

4. Along with this higher salary or higher earning capacity, he has accumulated, if thrifty, greater power of investment, which gives him still greater sharing power in the distribution of wealth generally. This greater power of investment has the additional power of increasing in a compound ratio. The man, for example, who receives in salary \$1,000 more a year than is required for him to maintain an appropriate standard of living actually receives a greater share than \$1,000 more than his fellow worker of corresponding standards of life who receives just enough to maintain the appropriate standard of living.

5. In practice the individual salary of the higher-earner can be adjusted more readily to make it commensurate with the services that he renders, without disrupting the salary levels of given groups of workers as is the case with the wage groups. It thus operates in a flexible manner to provide incentive for individual initiative and reward for individual service rendered. The higher-salaried worker can therefore be rewarded through his individual compensation more readily than the wage-earner.

The foregoing facts support the conclusion that, granted

the salaries and wages paid are justly based on the worker's ability to influence earnings on an individual basis, among a group of workers the individual's right to share in the profits as such tends to increase in a decreasing ratio to increase in wage or salary. Theoretically, it might be said to approach a per capita basis if wages and salaries fairly reward individual effort. The exact extent or form that the *pro rata* distribution will take in any given organization depends on the particular conditions existing in the organization and among the workers. Certainly those workers who are not able to maintain a reasonable minimum standard of living, or status in life, should share substantially in the profits as compared with their more fortunate coworkers, until they have the opportunity to attain this economic and social good.<sup>1</sup>

#### PRIMARY AND SECONDARY WEALTH

The wealth required to meet the demands for reaching and maintaining a minimum standard of living may be termed "primary wealth." What wealth remains over this primary wealth may be termed "secondary wealth." After opportunity has been given for all to share appropriately in the primary wealth, which is a moral and economic right, it is then possible for all to share in the additional wealth created, or in secondary wealth, as individual initiative and enterprise combined with group effort may justify. These principles may be summarized as shown in Table 1.

The question may be raised, "Will such a system for sharing the earnings of industry adequately attract and stimulate individual effort?" Incentive to such effort would be fairly and adequately given, it would seem, in four ways: (1) the guaranteed minimum wage or salary, to which would be added the reward for individual accomplishment as such, (2) promotion in rank, (3) sharing in the

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<sup>1</sup>In this connection, note the profit-sharing plans in effect at the Endicott-Johnson Corporation, under which all workers share alike.

TABLE I  
THE DIVISION OF EARNINGS

	Needs	How Met	Justification
Primary Wealth	1. Maintenance of a minimum standard of living, according to appropriate standard	Minimum wage	Moral and economic right
Secondary Wealth	2. Reward for effort on individual basis over and above requirements of number 1, if any	Wage or salary or bonus above the minimum wage according to service rendered	Personal incentive, reward for individual ability and enterprise
	3. Reward for group effort	Profit-sharing equitably applied	This part is the product of co-operative enterprise and therefore should be sharable so as to benefit the whole co-operative group

profits derived through cooperative effort, (4) a reasonable spirit of service in proportion to one's capacities. From a general psychological standpoint it would also seem that the worker would have greater incentive to increased effort if he be not bound down to an absolutely fixed wage level irrespective of his efforts and the earnings of the enterprise.

#### LABOR'S UNDERSTANDING OF BUSINESS ECONOMICS

It must be recognized by all parties in turn, of course, that if profits are not earned they cannot be shared. Labor, it is said, is willing to share in profits when they are large, but repudiates profit-sharing when the profits are small. This is not an argument, however, against profit-sharing fairly applied, but for education. What the worker wants first as his share of the total earnings of industry is a fair wage as such. When he has had the practical opportunity to understand the economics of the business enterprise and



has come to feel that he is receiving this fair wage, whatever may be agreed upon in any particular case, there is every reason to believe that he usually will respond properly to any equitable method of sharing in turn in the distribution of the net profits of the industry. The successful application of profit-sharing, however, presupposes an understanding of business economics for any concern on the part of its employees.

#### STANDARDS FOR PROFIT-SHARING

In brief, the following standards, properly applied in each instance, may be set forth as comprising the general requirements of a successful profit-sharing plan.

1. The amount distributed under the plan must be contingent directly upon the net earnings of the enterprise that are distributable.
2. The worker must receive beforehand a fair wage, which will provide for the minimum requirements of living and also for individual accomplishment. As a practical proposition, this wage will be at least as high as the full market wage for the given occupation in question, if this market rate be fairly arrived at. Likewise, capital must receive beforehand a fair rate of interest, which will take into consideration, among other things, the element of risk which it runs in the particular enterprise.
3. The plan must provide a relatively substantial return from among the distributable profits for wage-earners as well as for managerial employees.
4. The plan must be definite and prearranged, setting forth the particular terms and conditions governing the sharing of the distributable profits.
5. It must be worked out according to the particular requirements of the local conditions involved.
6. No limitation must be placed upon the workers' right of freedom of employment.

7. Distribution of the profits to the workers shall be made in cash, without any financial limitation upon the workers, unless mutually and voluntarily agreed upon between the company and the workers.

8. It must safeguard the stability of the business enterprise and encourage reasonable reinvestment of the earnings in the enterprise for its healthy development.

#### RELATION OF PERIOD OF SERVICE

Only a minimum period of service on the part of the employee before he becomes eligible to share in the privileges of the plan, which period is merely sufficient to make him a *bona-fide* worker in the enterprise, should be required. As soon as a worker has become a *bona-fide* employee of an enterprise, he is entitled to share in the earnings of that enterprise for the period of service that he has rendered just as his coworkers in the same lines of work. Reward for length of service is a problem separate and apart from profit-sharing as such, and should be handled according to the merits of the worker in each case in relation to the remuneration and other emoluments involved. In any case, the period of service required of the new employee in order to make him eligible to profit-sharing is arbitrary, but it should be placed at the minimum length of time. It is quite conceivable, for example, that workers in the employ of a company the last month of its fiscal period contribute as much in proportion to their length of employment in either direct service or good-will or both, as any other employees in the concern.

#### TRENDS IN PROFIT-SHARING

Illustrative of some of the more noteworthy tendencies are certain plans which approximate in important respects what has been described in the preceding pages as real profit-sharing. These are cited to show trends rather than

to indicate necessarily any relatively complete form of profit-sharing in a given case. Some of these plans have been put forward as tentative by the companies introducing them. But from the standpoint of systems in actual operation they merit close observation. They indicate the possibility of a more general recognition of the fundamentals of true profit-sharing than has previously existed.

*Dennison Manufacturing Company.* Among the most notable instances of profit-sharing at the present time is that of the Dennison Manufacturing Company, although it should be noted that the company itself refers to its plan as being "one that does not cover the field usually called profit-sharing." The company describes the plan in part as follows:

Under the plan all employees share in the company's profits in proportion to their participation in management. Each year, after dividends on all outstanding stock have been paid, the net profits are reinvested in the business, and against this increase of capital new shares of "industrial-partnership" stock are issued. Two-thirds of this stock is voting stock and is distributed to the "managerial-industrial partners" according to their relative salaries. One-third is non-voting stock and is issued to the "employee-industrial partners" in proportion to their length of service. In each case a minimum term of service is required in order that the employee may become thoroughly identified with the company before sharing in its management or profits.

Thus the company is very similar in organization to a "limited partnership" of nearly 2,000 members. For although the corporate entity is strictly an invested fund, the body corporate is not a group of investors but the active workers of the company.

The interests of the industrial partners are the interests of permanent residents in the business—they cannot sell their jobs as readily as a man can sell stock certificates and they want permanent and prosperous employment more than they want immediate returns. Under our conditions they must pay everything due to the first preferred holders before they can themselves get a cent, losing their voting strength if they materially neglect the preferred dividends. They are long residents in our concern, intimately acquainted with its affairs and with the men who have charge of them. Furthermore, new men are entering this voting

body each year and others are dropping out through retirement from business, death, and so forth, so that it will be at all times an alive and active force. In every respect this body of men is the best qualified electorate.

It is apparent that this plan does not cover the field usually called profit-sharing, but confines itself to such problems of corporate structure as the abolition of absentee control, the most effective method for the distribution of surplus earnings, and the gradual knitting into an organized entity of the older and more responsible employees; in a sense it is a combination of the good points of a corporation and a partnership. It does not, however, shut out any of the usual forms of profit-sharing, which can be applied as well to an industrial partnership as to a corporation. In one way it prepares the way for profit-sharing, since any plan for a division of profits will be difficult of continued success where absentee owners control a business and reap the rewards of any extra thought and effort spent upon it.

Our principal employees, then, are a self-governing body and get the fruits and pay the penalties of their management. The plan makes impossible many of the most insidious dangers of the usual corporate forms, such as absentee ownership and the unearned increment, and has already borne fruits of loyalty, delight, and devotion beyond our hopes.

The works committee on this basis worked out a plan which they asked the management to accept on trial with the understanding that it would be made permanent if experience shows that the employees earn that share in the profits which the plan provides they should receive. This plan provides an annual distribution, among the employees who do not participate in profits as managerial-industrial partners, of one-third of those profits of the company available for distribution after stock dividends have been paid. The employees who receive this distribution are called employee-industrial partners and must have been two years in the employ of the company at the beginning of the year in which the profits to be distributed were earned. Exactly as with managerial-industrial partners, these profits are reinvested in the business. Employee-industrial partnership stock is then issued equal in par value to money thus invested. The relative amount of stock which each employee-industrial partner receives depends upon his length of service. The stock is like managerial-industrial partnership stock in that it is non-transferable and is canceled and changed into second preferred stock when the employee dies or leaves the employ of the company. It is paid the same dividend

as the managerial stock. Employee stock, however, does not vote because the employees already share in the internal management of the company through the works committee, and because their work does not give them experience which would enable them to exercise sound judgment on matters relating to outside financial and commercial policies.

This last step in the development of the organization of the Dennison Manufacturing Company makes the company a true industrial partnership. The ultimate control of the policies of the company is in the hands of all managerial employees, while an important share of the internal management of the company is in the hands of the employees who are not doing work of a managerial nature. Investors in the company do not share in the management, and are given a fixed rate of interest in place of a share in the profits. Two-thirds of the net profits of the company are distributed in proportion to their salaries among the managerial employees because they are the most influential in the creation of profits; and the other third is distributed in proportion to their length of service among those of the remaining employees who have been long enough with the company to become thoroughly a part of it. Each person who has become a Dennison employee is thus a true partner in the business, sharing in the ownership of its capital and with a share in its profits and in its management proportionate to the influence which his position gives him on the earning of profits and the experience which his job gives him in solving the problems of management.

The foregoing plan thus combines stock-ownership with sharing of profits. The provisions with regard to the financial relations of the employees in the Dennison Company cannot be considered apart from the provisions for participating in management as already described in a previous connection.<sup>1</sup>

*Philadelphia Rapid Transit Company.* In 1922 the Philadelphia Rapid Transit Company broadened its cooperative plan of 1918 so as to provide for the financial participation by its employees in the affairs of the company. Among the chief provisions of this plan are the following:

The Philadelphia Rapid Transit Company to pay any cooperative wage dividend for 1922 and subsequent years due the under-

<sup>1</sup>See Chapter VII, page 85.



signed into the Cooperative Wage Dividend Fund, which shall be administered by four trustees, consisting of the president, vice-president, secretary of the Cooperative Welfare Association, and the financial vice-president of the company. The trustees to hold, invest, and reinvest said funds with the approval of the cooperative council; also to pledge accruing cooperative wage dividends as security for advances to make investments in anticipation of actual receipt of cooperative wage dividend. The trustees to issue to contributors to said fund, non-transferable participation certificates equal to the amount of the cooperative wage dividend each has deposited; and to return to any certificate holder ceasing to be an employee of Philadelphia Rapid Transit Company or, upon the death of any certificate holder, to pay to his or her designated representative or beneficiary, the amount of the cooperative wage dividend then paid in by such depositor, or the *pro rata* share of securities and cash represented by such certificate, whichever may be determined by the trustee to be for the best interests of all contributors. Distribution of the fund to depositors, in whole or in part, except as above stated, shall be made only upon the order of the cooperative council.

This plan has, as an essential part of it, the stock purchase feature, from which it draws much of its power. Here, again, the provisions for the financial participation of the employee in the company cannot be considered apart from the arrangements for cooperative management, which also exist in the same company, as previously noted.<sup>1</sup>

*Endicott-Johnson Corporation.* Probably the most notable feature of the Endicott-Johnson plan is that providing for the equal sharing of the distributive profits by all the employees of the company. The company, in speaking of this plan, says:

. . . . that the average wages last year were about \$1,450. Under a profit-sharing plan, there was added to each worker's wages, on the average, about \$150, making a yearly income of \$1,600—man and woman—every name on the pay-roll—52 weeks in the year. We figure our average wages, including men and women, and young people above the legal age of 16 years. We do not hire children below 16; adhering strictly to the legal limit. Many concerns employ young children, because they can work

<sup>1</sup>See Chapter VII, page 89.

cheap, and compute their average wages separately as between men and women—always showing a low average wage paid women, and endeavoring to build up a high average wage paid men. This concern is different. We believe women must live, as well as men. So we reckon our average wage all together—as last year, \$1,600—men and women, young and old.

The surplus, or profit-sharing, we believe, is the greatest stabilizer in industry. After good wages have been paid, and fair and decent consideration given to the welfare of the producers—after capital has had fair rates of interest—after the customers and buyers of the product have had a “square deal” in good values and reasonable prices—if there is then any surplus, it is split “fifty-fifty” between the common stockholders (who have taken the financial risks) and the workers (who have produced the results). There are no big profits, therefore, split among a few people. There are no families who divide the earnings.

*International Harvester Company.* Under the International Harvester Company plan extra compensation in company stock and partly in cash is distributed annually to employees meeting certain conditions. The plan emphasizes employee ownership of company stock. Among its provisions are the following:

. . . . that the International Harvester Company will set apart out of its earnings for 1920 and annually thereafter, for the benefit of those of its employees and employees of its affiliated or subsidiary companies in the United States and Canada who are not employed in any managerial or executive capacity, an extra compensation fund which will equal forty (40) per cent of the company's profit for the year in excess of seven (7) per cent upon the invested capital in the business of the company. . . .

The extra compensation fund shall be distributed to the said employees in the proportion which the actual earnings of each employee for the year bear to the aggregate earnings of said employees. (For the purpose of this plan “actual earnings” shall not include any extra compensation paid under this plan.)

The amount of the said extra compensation for each year shall be computed not later than May 1 of the following year and shall then be paid to such employees in two parts. Under no circumstances shall the company be bound to issue any fractional shares of the capital stock under this plan. The company reserves the right to pay all of said extra compensation in cash.

The International Harvester Company will set apart out of its earnings for 1920 and annually thereafter, for the benefit of those of its employees and the employees of its affiliated or subsidiary companies in the United States and Canada who are employed in a managerial or executive capacity, an extra compensation fund which will equal twenty (20) per cent of the company's profit for the year in excess of seven (7) per cent upon the invested capital in the business of the company.

The additional provisions regarding employees in a managerial or executive capacity are similar to those for the other employees already cited. The board of directors of the company has full charge of the operation of the plan.<sup>1</sup>

*The Procter and Gamble Company.* Under the provisions of the plan of The Procter and Gamble Company:

. . . . any employee of the company and its named subsidiaries, excepting salesmen and traveling representatives, who has been in the employ of any of said companies for not less than six months, and who is receiving as wages or salary an amount not in excess of two thousand (\$2,000) dollars a year, may upon application to the treasurer of The Procter and Gamble Company, hereinafter called "the company," and provided said application bears the written approval of his foreman, or of the person in charge of the department wherein he works, have purchased for his account, at the market value thereof at the time his application is received by the treasurer of the company, the nearest number of full shares of the common stock of the company of which the total cost to him equals or exceeds the amount of his annual wages.

This plan particularly stimulates the holding of the company's stock by the employees. Full power as to administration rests with the company.

*Rowntree and Company.* The plan of profit-sharing in operation in Rowntree and Company presents a number of significant features not usually found in other plans. Mr. Rowntree has described the plan as follows:

It is not sharing all the profits, but only sharing the surplus profits, meaning by this, any profits there may be after capital

<sup>1</sup>See also Chapter VII, page 87.

has received the current rate of interest for a secured investment, plus a reasonable insurance for risk.

This conception of profit-sharing is the basis of the plan of the cocoa works. Briefly, under this plan, capital receives its "wage" just as labor does, before any distribution of profits takes place, this "wage" being a sum equal to  $7\frac{1}{2}\%$  on the whole of the subscribed capital plus reserves and carry forward. After this has been paid, \$100,000, or 10% of any surplus profits (whichever is the greater) is set aside for a reserve. The remaining profits are divided in agreed proportions.

The workers of all grades receive 50% in the form of a percentage on their earnings. The directors receive 10%, and the shareholders 40%. Should it become desirable to liquidate the plan, the reserve fund will be divided among the three parties in the proportions named above.

Mr. Rowntree, in discussing the necessity for securing and maintaining the confidence of the workers, says further that a number of conditions must be fulfilled. They are that:

1. The amount of capital which is adopted as the basis of the plan really represents assets; that is to say, that capital has not been inflated.

2. Labor's proportion of profits is fixed, and the share it will receive cannot be reduced by any manipulation of reserves, by unreasonable increases in rewards of management, or by similar methods.

3. Labor has adequate means of satisfying itself as to the accuracy of the accounts.

4. Labor has a legal right to its share, and is not dependent upon the bounty of employers.

5. There are no unreasonable provisions restricting freedom of labor.

6. Wages are not to be less than trade-union or other appropriate rates.

7. Employees are to be free to join any trade-union.

8. Strikes are not to be penalized.<sup>1</sup>

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<sup>1</sup>*System*, July, 1924, p. 45, for further description of this plan and its detailed interpretation.

## STOCK-SUBSCRIPTION PLANS

As already noted, stock-subscription plans for employees in industry have frequently been introduced as coming under the head of profit-sharing. It has been estimated that at least 250,000 employees are affected by the stock-purchase plans of at least 125 companies in this country. While relatively few of these plans have embraced the real elements of profit-sharing, their rather wide-spread existence warrants discussion of them in this connection.

The provisions contained in stock-subscription plans vary, but usually the terms are such that the employee can purchase stock at less than the market rate and frequently pay for it by instalment, with interest on the unpaid balance charged to him and credit for the dividends given him. Sometimes the company pays in part for the stock; or the stock may represent a bonus to the employee. At times, also, the employee must meet certain definite requirements, such as having a substantial period of service in the company. Also, he may not hold the stock in his own right, having merely a certificate of ownership and may not have the right of possession of the stock upon cessation of employment with the company. Again, the allotment of the stock to employees frequently has no real relationship to the profits of the company and is not apportioned with regard to the distribution of the company's earnings, but is simply made available to employees and the amount given to the individual determined by his ability to pay for it, except in those cases in which it is issued as a bonus. There are instances, however, where such restrictions as those just enumerated do not exist or are so modified and coupled with other provisions that they still come within the range of profit-sharing. Examples of such types of stock-subscription plans are found in certain of the plans which have already been described.

Except where stock-subscription plans are operated so as to make the amount distributed under them directly con-



tingent upon the net earnings of the company and represent the equivalent of cash to the employees without restriction upon freedom of employment, they are neither profit-sharing nor a phase of the distribution of the earnings of industry under the employer-employee relationship as usually conceived. This fact does not detract from their value in their own sphere, as they may have distinct merit in stimulating employee savings and in furnishing a concrete channel for educating the employee as to the economics of the business enterprise, and in this connection serve as a valuable supplement to profit-sharing. But even in these cases it is necessary to distinguish between them and profit-sharing as such. Of course, employees who are holders of company stock participate to that extent in the earnings of the company, but unless they have secured the stock under a plan contingent upon the earnings of the company, this subsequent participation in the profits cannot be considered profit-sharing as a phase of the distribution of earnings in industry between employer and employee.

#### NO FIXED PLAN

It is apparent that no fixed plan or fixed percentage of distribution of the earnings of industry, either in the form of wages to labor or the interest on capital or the sharing of the distributable profits between labor and capital, are possible. Moreover, certain types of industry, such as the building trades, do not lend themselves as readily to the employment of a profit-sharing system as others. Every organization must be considered according to its own nature.

Two approaches to profit-sharing are in evidence in industry today. The first is through the employer, as the representative of capital, extending the principles of profit-sharing to his employees. This is the type commonly thought of in the past.

The second is through labor, initially as employees of the representatives of capital, extending their activities beyond

the field of employees as such and becoming owners and managers of business with the corresponding control of capital. This movement of labor over into the field of capital and participating in its reverses and rewards is most significant as a type of activity automatically embracing profit-sharing.

One of the biggest difficulties for profit-sharing to overcome, and it is a real one, is that where there are no profits none can be distributed. As already indicated, the extreme of this situation is found where loss has been suffered instead of profits realized. Around the point of loss-sharing by employees has centered much of the argument against profit-sharing. Aside from the considerations already set forth in this connection, it is possible that the movement of labor into the field of ownership and management of business may furnish one of the steps in the solution of this particular point.

#### PROFIT-SHARING INSEPARABLE FROM WORKERS' PARTICIPATION IN MANAGEMENT

The question of profit-sharing ought not to be considered apart from that of workers' participation in management. The principles involved in each extend to the other. Both have their justification in the fundamental tenet that production is a cooperative process, in the control of which all parties should have a voice, and in the earnings of which all parties should share. The successful application of profit-sharing, moreover, requires an acquaintance with the economics of the business enterprise and responsibility on the part of the worker that can be secured only through reasonable participation in the control of the enterprise. Likewise incentive and accomplishment for reasonable participation in management by workers can be maintained only through a fair participation in the earnings of industry. Only through an equitable solution of these two great problems on a basis of mutual interest and accomplishment can

either capital or labor ultimately secure the advantages which both desire and to which both are entitled.

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LABOR RELATIONS IN INDUSTRY

PART IV

WORKING PERIODS AND LABOR SUPPLY





## XV

### UNEMPLOYMENT

Unemployment a major problem of industry. The effects of unemployment. Abuse of unemployment. The right of an opportunity to work. Types of unemployable. Cause of unemployment. Remedies for unemployment. The burden upon industry. Action within the plant or industry. Typical plans. Cooperation with the community. Balance between consumers' needs and production. Distribution of labor. Expansion of industrial equipment in periods of depression. Public improvements in slack times. Psychology of the buying public. Attitude of the worker. Unemployment and education. Unemployment and immigration. Other factors affecting unemployment.

UNEMPLOYMENT is a major problem of industry. The maintenance of regular production throughout industry and the insurance of relative permanency of employment are prime essentials in furthering a constructive program within industry itself and in maintaining the stability of the entire economic and social order.

Lack of regular and continuous employment affects capital and labor not only as active agents in production, but as elements of the community that share in and are dependent upon the benefits of production.

#### THE EFFECTS OF UNEMPLOYMENT

In the first instance there are the *material* losses within the plant or industry in the form of lessened profits or greatly exaggerated costs of production through the burdens of overhead expense while plants or departments are idle. Furthermore, lessened productivity or overwork in its stead during rush periods to make up for idle time are almost inevitable results of plant inactivity.

Irregular or part-time employment affects the annual earnings of the workers. Consequently, not merely the rate

of pay but the yearly income of the worker must be considered in determining wages, for this is the amount with which he has to meet the necessities of life. Either the worker suffers reduced earnings or a higher rate of pay results through uncertainty of employment. The employer, therefore, struggles with exaggerated rates of pay, and the public in turn suffers through increased unit costs of production. The general effect is inhibition of market demand arising from the increased costs and a consequent further tendency toward lessened employment in the industry and further wage discrepancies. Low wages, on the other hand, decrease the purchasing power of the public and operate to decrease market demand.

Linked up with these questions is also the matter of overtime pay, often resorted to by the worker to increase his income when uncertainty of employment exists. Such overtime work sometimes adversely affects the productivity of the worker during the regular hours of work.

Reduction of these various costs necessitates adjustment of irregular work and careful planning for continuous production. The effect of irregular work upon the incomes and rates of pay of the worker is illustrated in the building trades, the clothing industry, and the coal industry.

The lack of regularity and balance in production also upsets the processes of continuous, consistent, and low-cost marketing. It thus has an indirect if not direct effect upon industry and the community at large in lessening productive effort, in curtailing goods produced for the benefit of society, in reducing earnings for both capital and labor, and in lessening the buying power of the community and the demand for the product.

In the second instance there are *psychological* results of serious consequences. These may at first grow out of the material losses, but they may become even more significant in their effect, and in time, aside from their social consequences as such, cause the material losses to be greatly increased.

Insecurity of work, with the constant fear of unemployment that goes with it, has a most deteriorating effect on mind, character, habits, and even physical ability of the worker. The belief on the part of some workers, false as it may be in many cases, in the desirability of restricting output, and their positive opposition to improved machinery and methods of production, is often largely the result of an ever-present fear of being thrown out of employment without means of prevention or recourse. Furthermore, as a result of these conditions the worker sometimes comes to assume a positively antagonistic attitude toward industry and organized society itself that is of the utmost social, political, and economic significance. The costs of unemployment cannot be measured in terms merely of the number of unemployed.

From whatever standpoint the problem is viewed, direct loss usually occurs. This is generally true even though allowance be made for repairs to equipment, and for other types of physical rehabilitation to the plant sometimes performed during the periods of inactivity. Even when the unemployment of workers throughout a plant is only scattered through individual departments and more or less casual, the lack of regularity and balance causes maladjustments to occur that make for definite loss.

#### THE ABUSE OF UNEMPLOYMENT

Occasionally there are those who desire to use unemployment or the fear of unemployment as a means of controlling wages and labor's activities. Such a policy is ill-advised. It is based upon the theory of repression of labor on the one hand and of restriction of output on the other hand. As such it fails to regard both the social and economic consideration for the community as a whole as well as for labor in the more specific sense. It is short-sighted, moreover, in that it fails to take cognizance, aside from other considerations, of the effect of such a policy on wage levels, produc-

tion, and the profits of industry, and that it encourages restriction of output, conscious or subconscious, on the part of the worker when he is at work. Neither a surplus nor a shortage of labor is desirable.

#### THE RIGHT OF AN OPPORTUNITY TO WORK

Every conscientious worker in society has a right to reasonable employment—the opportunity to work. It is through his work, or job, that he secures his livelihood, and neither society as a group nor the individuals who are members of that society have the right to withhold or take from him the reasonable means for securing that livelihood. It is hard to conceive anything worse for a worker who is willing to work and capable of doing so, than to be unable to secure employment by which to maintain a regular income sufficient to meet the necessities of life. Surely something is wrong with the economic order that fails to offer this opportunity. The bread-line and the idle machine are both vicious.

That the extent of unemployment reaches noticeable proportions, even in normal times, has come to be generally recognized. But over and above this are the periods of marked unemployment. Official estimate placed the number of persons out of work in the United States, in the early part of the year 1921, as being well up in the millions, probably around three or four millions. In the mechanical industries alone nearly three and a half million fewer workers were reported employed than the previous year.<sup>1</sup>

This acute situation regarding unemployment does not represent a condition in industry peculiar to this particular time. Past history has exemplified more or less regular cycles in the recurrence of unemployment. In the years

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<sup>1</sup>In September, 1921, figures of the U. S. Department of Labor reported more than five million unemployed in the United States alone. Other agencies reported four million or thereabouts. Secretary of Labor Wilson estimated that at all times there are one to three millions of workers in the United States who are "employed or unemployed in accordance with industrial activity or industrial depression."

1875, 1893, 1896, 1900, 1904, 1908, and 1914, unemployment in this country reached substantial proportions. In 1914 the proportion in England was practically the same as in 1921, and it was probably even larger in this country then, than it was in 1921.

Figures on unemployment, to be given their fullest significance, must be considered in relation to the wage-earning population, and not merely to the total population of the country. For example, four million unemployed wage-earners in the United States would represent approximately 10% of all of those gainfully employed in this country. That would mean one out of every ten workers without a job. The effects of unemployment, of course, reach those who are dependent upon the earning ability of workers out of work.<sup>1</sup>

#### TYPES OF UNEMPLOYABLE

It is necessary in considering the question of unemployment to distinguish between the unemployed and the unemployable. By the first are meant those who are out of work who should and could be at work, and by the second are meant those physically or mentally handicapped, who present a special problem.<sup>2</sup> There are always, of course, some workers who through shiftlessness or other reasons of a personal nature have no regular employment.

From the standpoint of the worker, unemployment may be of three general types:

1. No job, or absolute unemployment;
2. Intermittent work, or part-time unemployment;
3. Irregular employment, or excessive changing of jobs.

In some types of work, such as the bituminous coal indus-

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<sup>1</sup>Exact estimates and figures vary on the degree of unemployment. For further discussion of unemployment statistics, see *Business Cycles and Unemployment*, Part II; also, Ernest S. Bradford, *Industrial Unemployment: A Statistical Study of Its Extent and Causes*, U. S. Bureau of Labor Statistics Bulletin, No. 310.

<sup>2</sup>For discussion of the physically handicapped worker in industry, see Chapter XIX.



try and some of the trades in the building industry, employment at best is seasonal or intermittent, amounting to approximately from 180 to 220 days in the year. The shifting of individual workers from one plant to another within a given industry, or from one industry to another, is a source of enormous waste.

#### CAUSES OF UNEMPLOYMENT

1. *General.* The causes of unemployment are many and far-reaching. Fundamentally they arise largely from a mal-adjusted economic situation. This situation represents a distinct shortcoming in industrial and commercial planning. It arises sometimes through the operation of industry on a highly speculative and overcommercialized basis. Credit inflation in periods of general business expansion or unfavorable foreign markets and standards may be the controlling factors. Sometimes, of course, it represents simply lack of foresight or lack of coordination within given establishments or among the producing units of industry at large.

At times the causes of unemployment may lie in conditions of general and often world-wide economic depression and financial instability. In their recurrent phases such conditions bring about cyclical unemployment. They may or may not be controllable on a local or national scale, depending upon the depth and scope of the underlying causes of the general economic conditions.

Among the more immediate and apparent sources is the *seasonal nature of the product*, as in the fruit-growing industries, in agriculture, and the like. Allied with this is *irregular and seasonal market demand*, as in the use of coal and in clothing. Weather conditions, aside from the strictly seasonal factor, are also important factors in certain industries.

Faulty transportation of materials or of products and bad storage facilities also materially affect the regularity of production.

The cessation of buying of finished products on the part of the public, sometimes referred to as the "consumers' strike" is sometimes an important factor.

Immigration, particularly in time of an excess of workers or a near labor surplus, may cause or aggravate unemployment.

The maladjustment of demand and supply of labor among various industries through *lack of proper agencies for allocating labor* may bring about unemployment even when there is no general surplus of labor.

2. *Plant.* The preceding causes of unemployment are those that exist mainly outside of the particular plant. Within the plant, however, there are many conditions that may also bring about unemployment. Among these are lack of coordination between sales policies and production programs, lack of regular production schedules, overproduction for a given time, lack of balance in the production departments, shutdowns during stock-taking, inefficient routing, neglect of equipment, breakdowns, lack of materials, strikes and lockouts, and manipulation to keep control of markets.

Overexpansion of plant facilities often is a source of substantial loss. This loss sometimes is measured in actual unemployment for workers who could better be employed elsewhere and sometimes more in the unemployment of the equipment and invested capital. When the equipment exceeds the demand for regular and continuous production, it may not, when idle, cause unemployment to labor itself, if it has not induced workers to leave profitable employment elsewhere. The practice, however, of employing excess equipment in rush periods with a greatly increased but temporary work force, not only throws the normal alignment of workers into disorder, but, if general in an industry, also tends to increase the price of commodities to the consumer through greater overhead expense.

Clothing factories are built 45% larger than is necessary;

printing establishments are from 50% to 150% overequipped; the shoe industry has a capacity of 1,750,000 pairs of shoes a day, and produces little more than half that number; throughout the metal trades, standardization of products would permit of large reductions in plant and equipment.

Standardization of machine sizes would make possible the use of one machine for a greater variety of different jobs. The printing industry illustrates this point. A common sight in any large printing establishment is expensive machines covered up and out of use, or inefficiently used for purposes other than that for which they were built. A printer secures a contract and buys a machine to do the work economically. When the work comes up for contract next time, if some other printer secures it, it invariably means another special machine.<sup>1</sup>

It is significant to note in this connection that Dr. Willford I. King has found from a study of the depression of 1921 that small employers give much steadier employment to their workers than do the larger ones.<sup>2</sup>

Pyramiding of prices by the successive dealers through whom a product passes and high-price insistence upon the part of the producer are other causes at times operative.

Increased production through the invention and introduction of new and more efficient machinery which requires fewer workers per unit of production, is often the cause of unemployment, especially when careful plans are not made to mitigate the effects of the sudden introduction of such machinery and methods. Herbert Hoover has said in this connection:<sup>3</sup>

There is an immediate problem in increased production that is too often overlooked by the theorist. While it is easy to state that increased production will decrease cost and by providing a greater demand for goods secure increased consumption and ultimate greater employment, yet the early stages of this process do result in unemployment and great misery.

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<sup>1</sup>From report of the Committee on Elimination of Waste in Industry of the Federated American Engineering Societies, 1920.

<sup>2</sup>*Business Cycles and Unemployment* (Part II), report of President's Committee on Business Cycles appointed by Herbert Hoover.

<sup>3</sup>Address before the Federated American Engineering Societies, Washington, D. C., November, 1920.

It takes a variable period of time to create the increased area of consumption of cheapened commodities, and, in the meantime, when this is translated to the individual worker, he sees his particular mate thrown out of employment.

We accomplish these results over long periods of time, but if we would secure cooperation to accomplish them rapidly we must take account of this unemployment and we must say to the community that if it is to benefit by the cheapening costs and thus the increased standard of living, or alternatively if the employer is to take benefit, the entire burden should not be thrust upon the individual who now alone suffers from the effects of sudden industrial changes.

Conflict between capital and labor is another source of waste through unemployment. The extent of loss here, however, is difficult to establish, and cannot be ascertained except through a knowledge of the particular situations involved. Thus the loss through a strike against bad conditions of work or unjustifiably low wages may in the end bring benefit to all parties concerned, assuming that proper adjustment cannot otherwise be made. On the other hand, unjustified strikes directed, for example, toward maintenance of unduly high wages may cause unnecessary loss of great extent. In this connection, there must also be considered loss caused by the individual worker who through dissatisfaction leaves his place of employment, even though there may not be open and concerted conflict with the management. Likewise, comparable losses arising through inefficiency of the management for dealing with individual workers resulting in unjustified discharge, must also be taken into account. But unemployment, or the fear of unemployment, is often a major cause of strikes as well as strikes a cause of unemployment.

Professor C. W. Doten, in discussing strikes and lock-outs in the United States, said:

"Such comparisons as can be made, however, indicate that a very large proportion of strikes in recent years have occurred in seasonal and irregular occupations, such as the clothing industry, coal mining, and the building trades, in

which employees do not ordinarily work much more than two-thirds of the time.”<sup>1</sup>

#### REMEDIES FOR UNEMPLOYMENT

Just as the causes of unemployment lie at the very foundation of the present system of organizing and conducting industry, so must any remedies of a permanent nature involve readjustment of the bases upon which the machinery of industry now operates. But while essentially the solution usually lies within industry itself, industry cannot attain these ends alone. Any program in this regard must enlist the interest and active support of (1) the workers, (2) the industry as such and the controlling powers back of it, (3) the retailer and other marketing agencies, and (4) the consuming public. A general educational program throughout the country within industry and through the community as such, directed towards securing the cooperation of these various elements, must be employed.

#### THE BURDEN UPON INDUSTRY

At the same time, industry must fully realize its own responsibilities in the situation. If industry claims the right to operate on the basis of private enterprise, then private industry must assume the reasonable responsibilities attendant upon the conduct of the productive processes of the community. The reduction of unemployment of both capital and labor, and its consequent wastes, is one of the moral responsibilities that private industry must accept and exercise its best efforts to meet before it asks the state or anybody else to bear the burden. Much of the evil of unemployment lies within the planning and operating of industry itself, and the problem must be attacked at its source. Sometimes it is the particular plant, sometimes industry and commerce at large that are at fault.

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<sup>1</sup>See *Waste in Industry*, by the Committee on Elimination of Waste in Industry of the Federated American Engineering Societies, 1920, p. 313.



Edwin F. Gay, former president of the New York *Evening Post*, says in part:<sup>1</sup>

Employment—once more enforced upon the public attention, is an economic problem that will be solved only through a high order of constructive statesmanship. Can we depend upon industrial leadership alone to lessen its evil consequences and avert its recurrence, or must the state step in with a legislative program of relief and prevention?

As a general principle, at least until the powers of production have been enormously increased, the presumption is in favor of private initiative rather than state action. That is the lesson I draw from the economic history of the last half-century. Human nature being what it is, the energy and enterprise released and stimulated by the lure of individual profit is absolutely essential for the maintenance and increase of production. As far as we can see, that will last for some time. But it must also be recognized that the sphere of regulatory intervention by the state has been continually increasing and is bound to increase still further. And it must be acknowledged that this extension of state intervention has been to a large extent necessary and salutary.

Certainly in one field, that of labor legislation, the experience of a century of time in many countries has demonstrated that in the protection of the health and safety of the workers and the safeguarding of standards of employment, a large measure of state intervention has been found necessary and, what is more, effective.

General commercial and financial conditions must become better adjusted. To be sure, such matters as tariff and foreign-trade regulations, taxation, extension of credits, and the like, have a positive and sometimes a controlling influence on the stimulation or repression of business. Wise and expeditious government action on appropriate matters is therefore necessary on occasion to stimulate investment of capital in industry and to help maintain the purchasing power of the consuming public. Such governmental action, however, must not be to the detriment or hindrance of legitimate private enterprise. But whether the causes lie within a particular plant, or outside in the conduct of industry and

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<sup>1</sup>"Is State Intervention Necessary to Prevent Unemployment?" Edwin F. Gay, *American Labor Legislation Review*, June, 1921, p. 155.

commerce at large, private industry must first do its part in a constructive way. It cannot lie back in the traces. It must wisely manage.

#### ACTION WITHIN THE PLANT

First of all, each industrial establishment or productive unit must organize and plan its work so as to make for the greatest possible regularity and continuity of production and employment consistent with its economic requirements. These efforts, beginning with each individual plant, can then be coordinated with more general plans and movements.

In some cases sales methods can be reorganized so as to distribute more evenly the market demand for products instead of attempting to bunch production within short periods of time to meet rush demands. Proper arrangement of delivery dates, particularly arranging for long delivery dates in place of short rush production, will do much to relieve bad conditions. This is specially true of products affected by seasonal demands.

Careful planning of the nature of the product, with proper dovetailing of the manufacture of various parts of complex products, as well as substitution of secondary or by-products during periods of seasonal depression, can be, and have been in some cases, profitably employed. Manufacture with emphasis on staple commodities at least sufficient in amount to provide reasonably certain employment according to regular schedules of production throughout the entire year, is one of the most significant steps that many industries could take but have not taken. Balance of production within the individual departments of the plant, proper systems of recording, storage facilities, and the like, can often be successfully utilized to offset a shut-down in the factory.

Maintenance of reasonable price levels over long periods and elimination of excessive profits would often do much to stimulate steady demand and thus stabilize production.

There are also secondary or mitigating factors that could be employed to give temporary relief when periods of unemployment have actually to be faced. Equal division of work among workers when demand is slack, and running of the factory on a part-time schedule throughout the day or throughout the week are among the more usual methods of this nature. A guaranty of a certain number of hours of work per week is another. Manufacture of "fillers" to relieve idle-time periods in the production of staple products, already mentioned, is still another.

An example of what an individual plant may do in a constructive way to lessen the effects of seasonal demand for its products is that of the Dennison Manufacturing Company.<sup>1</sup>

At the plant of the Dennison Manufacturing Company a marked reduction of seasonal employment has been effected by the application of certain clearly conceived principles. These principles were not put at once into complete operation, but were given a practical try-out and were extended first in one direction, and then another, as conditions made it possible. In the nature of things, any very considerable reduction must be a matter of gradual development. It is, indeed, going on here today, with the goal far ahead of present attainment; but results so tangible have been secured that the means through which they have been achieved are no longer untested.

The principles applied are six in number:

1. Reduction of seasonal orders by getting customers to order at least a minimum amount, well in advance of the season.

This has been accomplished partly by merely asking for the business, partly by persuasive salesmanship, partly by promising a greater security as to delivery, and sometimes by reducing prices to "buy-early" customers. For example, originally box production was exceedingly seasonal. Orders would not come in in any large numbers until late in the summer, and then there would be a painful rush of work until Christmas. As a result of our modified

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<sup>1</sup>The description that follows is taken directly from a report by the company.

sales policies, however, we now secure a considerable number of our holiday orders in January, and even get a fairly large proportion of orders for Christmas delivery in November and December of the preceding year. Similar results have been accomplished in the crepe line.

2. The increase of the proportion of non-seasonal orders with a long delivery time.

These orders were either "holder orders," not to be delivered until a certain date, or orders to be delivered when ready. This increase is brought about by the same methods of selling that proved effective in securing the transfer of the seasonal orders to the next seasonal period as outlined in number 1 above.

3. The planning of all holiday and other stock items more than a year in advance.

The general method is as follows: Over a year in advance a detailed statement of just what holiday and other stock items are wanted is placed with our warehousing department. The warehousing department works out a minimum monthly schedule, based on the distribution of the last year's sales. Except that production must be kept up to this minimum, the producing department can distribute it as seems best.

4. The planning of interdepartmental needs well in advance. Thus the orders of our gummed label department for boxes are placed at the beginning of the year.

By the means suggested in the foregoing principles, we have converted all possible seasonal and time-limited orders into articles on which we have long delivery times, and can thus produce according to a schedule based on production rather than delivery needs. It would, however, probably be impossible to realize benefits as fully as at the present time if we were in a trade characterized by sharp style variations; but even under such conditions it is probable that some benefits should be received.

5. The building up of "out-of-season" items and the varying of our lines so as to balance one demand against another.

For example, we are developing new box items of a sort that are not used for holiday purposes, so that we can make and sell them for delivery at times when the holiday work is light. Items, too, that are securely staple in nature, can safely be made at any time for stock. It is our policy to increase up to the point of a healthful adjustment the number of such items. Measures of this type are attempts to build the normal business of a concern up toward the peak level of the busy season. They aim not at

removing the peaks but at filling up the hollows. They constitute a healthy, leveling-up process which achieves a positive increase of the total output at the same time that it decreases the fluctuations.

6. The distribution of these long-time orders and out-of-season staple items in such a way as to fill up periods when the work on quick-delivery items is small so as to bring a more uniform flow of work.

This is really not so much a separate principle as a further step in the achievement of the benefits made possible through the principles already suggested. Besides these methods of decreasing the pressure of seasonal demands, and evening out the inequalities, we can meet seasonal employment by conforming ourselves somewhat to it. We can balance the decrease in work of one department against the surplus of another. We can transfer operatives not needed in one line to another where there is work on hand. In doing so, we make it a rule to transfer our operatives to the same off-season work each time, so that they will develop proficiency in these off-season trades. We can go a step further; we can *plan* to adjust the work of one department so as to use to advantage the unemployed operatives of another department. An illustration of this is found in the sample work of one of our departments. This requires little special training, and can be handled well by the boxmakers in their dull season. As a matter of deliberate policy, this work is always saved up for December and January, when the slack season of the boxmakers is at hand.

These methods often work incidentally to our advantage in other ways besides those which have led to their adoption. They tend toward producing a more versatile operating force, from whose numbers emergency transfers may at other times be more easily made. They also afford the workers a respite from occupational monotony.

*The Railroad Industry.* The railroad industry of the United States is giving consideration, through a special committee, to plans for stabilizing employment affecting that industry. Among the specific purposes outlined are methods for avoiding reduction of forces and for distributing expenditures more equally between the times of depression and prosperity. This committee is acting in cooperation with the Interstate Commerce Commission.

The Delaware and Hudson Railroad now employs the



principle of what is termed the "elastic day," in accordance with which the number of hours of employment per day fluctuates from 8 to 10. With less volume of business the working day is shortened, and with increased volume of business the working day is lengthened, thus tending to divide the work equally among the workers so that they have employment during slack times and share in increased earnings during periods of good business. In this way it is planned to keep the entire working force regularly at work.

*Ladies' Garment Industry.* Another plan, embracing an entire industry in a given locality, is that of the Cleveland ladies' garment industry. Under this plan, adopted in 1921, each worker is to be assured at least 41 weeks of employment each year. It is more of a guaranty of income to the workers than a direct method of stabilization of employment. It is cited here to show the possible stimulation upon the employer to maintain employment:

Each manufacturer lays aside each week a sum equal to 10% (formerly 7½%) of his direct labor pay-roll to constitute an unemployment-insurance fund. This fund accumulates, as the weeks go on, until some worker has exceeded 11 weeks of unemployment. That worker is thereupon entitled to draw upon his shop unemployment fund to the extent of two-thirds of his weekly minimum. It is obvious, therefore, that if any employer can keep his workers from having 12 weeks of the idleness he will retain this fund. The appeal of this growing fund, staring the employer in the face day by day, is very great and impells him to use every effort to increase the work of his factory to the desired 41 weeks' minimum. It will be seen that the liability of the manufacturer is limited to 10% of his pay-roll and that it is possible for his workers to have unemployment in excess of the amount of the fund. This, however, very rarely happens. The fund is not actually laid aside, but the employer gives a surety bond to the board of referees in an amount equal to the contemplated 10% of his pay-roll. This prevents holding idle capital and yet fully protects the workers.<sup>1</sup>

<sup>1</sup>Certain modifications in this plan, such as slight reductions in number of weeks' guaranty (from 41 to 40 weeks) and a reduction in the allowance (from 62⅓% to 50% of the minimum wage) were made in 1923.

In 1924 the ladies' garment industry in New York City adopted a general plan of unemployment insurance following hearings of a state mediation commission appointed as a result of a general strike situation. At this time the creation of an unemployment-insurance fund involving the cooperation of both the manufacturers and the unions was agreed upon containing the following provisions:

The association shall cooperate with the union in establishing and maintaining an unemployment-insurance fund for the benefit of the members of the union. The funds shall be made up by contributions from the manufacturers and the union or individual members of the union; the contribution of the employers to the unemployment-insurance fund shall be equal to 2% of the weekly pay-roll and that of the workers to 1% of their weekly wages. The fund shall be administered jointly under proper rules and provisions to be agreed upon by the parties.<sup>1</sup>

The fund thus established is a general market fund.

*Men's Garment Industry.* The men's garment industry of Chicago adopted, in 1923, a plan for unemployment insurance which, aside from its insurance features, provides incentive to eliminate unemployment from the industry to a large degree. Its chief provisions as now formulated are given below:

1. *Contributions.* The employer will deduct 1.5% of the weekly earnings of each member of the union in his employ and will forward to the trustees weekly the moneys so deducted together with an equal amount contributed by himself.

2. *Waiting period.* (a) For workers on short time the waiting period in each season shall be 44 hours. (b) For workers on lay-off the waiting period in each season shall be 44 hours after registering at the employment exchange.

3. *Unemployment.* (a) Time on lay-off in excess of the waiting period shall be counted as unemployment. (b) Short time in excess of four hours in any week after allowing for the waiting period shall be counted as unemployment on the same basis as time on lay-off. (c) Every hour of overtime shall offset one hour of unemployment.

<sup>1</sup>"Unemployment Insurance Extended to New York Needle Industries," *American Labor Legislation Review*, September, 1924, p. 237.

4. *Amount of benefit.* (a) Benefit shall be 40% of full-time wages with \$20 per week as a maximum, beginning May 1, 1924. (b) Not more than two and a half weeks' benefit shall be paid in either of the two seasons, May to October and November to April, and not more than five weeks' benefit in any insurance year. (c) A worker on short time shall not be credited in any week with wages and benefit in excess of \$50. (d) Benefits in any insurance year shall not exceed one week of benefit for every ten weeks on pay-roll.

5. *Eligibility for benefit.* To be eligible for unemployment benefit a worker—(a) must have been a member of the union in good standing for one year, (b) must have contributed regularly during his employment, (c) must be unemployed because of lack of work, (d) must be registered at the employment exchange if wholly unemployed and must not have declined to accept suitable employment, (e) must not have exhausted his right to benefit.

6. *Distribution of benefits.* (a) Full-time benefits shall be distributed by the employment exchange. (b) Distribution of short-time benefits shall be arranged by the Amalgamated Trust and Savings Bank.

7. *Transfers.* (a) When a worker is employed temporarily, his contributions shall be transferred to the fund of the firm that employs him permanently. (b) When a worker is separated permanently from any firm, he shall forfeit all claim upon the fund of that firm, but shall share equally with the other employees in the fund of the firm that next gives him permanent employment.

8. *Special rules for temporary cutters.* The insurance contributions of temporary cutters and one-sixth of the contributions of permanent cutters shall be set aside as an unemployment fund for temporary cutters. Cutters shall receive 33⅓% of the weekly wages as benefit instead of 40%. Permanent cutters shall be limited to five weeks' benefit in the year and temporary cutters to ten weeks' benefit.

The fund is administered by a board of trustees which consists of seven members: three manufacturers, three employees, and a chairman chosen by both groups. Provision is made against the accumulation of excessive reserve funds and for suspension of payments into the fund during such time as it exceeds in amount the total maximum benefits that would be payable for the period of one year, thus

stimulating the promotion of stability of employment. The fund on inception was limited to a two-year period but is renewable.

In New York an agreement was entered into between the Amalgamated Clothing Workers of America and the principal men's clothing manufacturers of the state, providing that an unemployment-insurance fund be established beginning as of December 1, 1924. It was provided that an amount equal to 3% of the weekly pay-roll should be paid into this fund each week, one-half of this amount to be borne by the manufacturers and contractors, and the other half by the employees. Whereas in the Chicago market the plan for unemployment insurance is based upon individual house funds, the New York plan sets up a general market fund.

*Cloth Hat and Cap Industry.* Unemployment-insurance funds have been established for the cloth hat and cap industry in St. Paul, Philadelphia, Chicago, New York, and Milwaukee. The first of these funds was that in St. Paul, established in 1923. Its provisions are as follows:

The employers paid to the union every week 5% of their pay-roll. This payment was considered as a deposit to guarantee that the workers will be employed for 48 full weeks or more during the year. Failing such employment the payments made by the manufacturers were to be retained by the union and go to its unemployment fund; this fund to be entirely under the management and control of the union. There was, however, a gradation. The entire 5% was to be retained only in case the workers were employed for 43 weeks or less. For every week above 43 with which the workers were supplied with employment, the union was to return to the manufacturers 1%, or one-fifth, of the total deposits. In case they were employed the specified 48 full weeks, the entire 5% was to be returned to the manufacturers.<sup>1</sup>

Similar funds were set up during 1924 in the other markets mentioned. These funds are employed by the

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<sup>1</sup>Budish, J. M., "Progress of Unemployment Insurance in the Cloth Hat and Cap Industry," *American Labor Legislation Review*, December, 1924, p. 311.

unions exclusively for the payment of unemployment benefits and for no other purpose. The payments by the employers to the funds are explained in effect as an increase in wages except that payments are made through the unions collectively rather than to each individual worker. A special feature of these funds is that they provide for the manufacturers to pay the entire insurance with its administration exclusively in the hands of the unions.

*Procter and Gamble Company.* The Procter and Gamble Company of Cincinnati has a plan which is based largely upon the principle of stabilization of buying in coordination with production. The workers of that company are guaranteed at least 48 weeks of work through the year. In discussing this plan, William Cooper Procter, president of the company, has said:

In brief, our plan is this: The company guarantees full pay for full-time work for not less than 48 weeks in each calendar year, less only time lost by reason of the customary holiday closings, or through fire, flood, strike, or other extreme emergency, and subject to these provisions:

The company reserves the right to transfer an employee to work other than that at which he is regularly employed, provided he is compensated for the work at the regular wage-rate per hour.

The company reserves the right to discharge any employee at any time and for any cause, and further reserves the right to terminate or modify this guaranty in whole or in part at any time after serving six months' notice to that effect.

The guaranty is limited to those who participate in the company's profit-sharing plan. These employees, however, compose most of our working personnel.

The employees, of course, derive benefit from the guaranty in the assurance of regular work and regular income. The company, however, draws a twofold advantage from it. We are able to schedule our production and run regularly. If you acquire a steady stride in business, you move along with more efficiency. There is a little added expense in carrying the stock that previously lay in the cellars of jobbers; but this is more than offset by the economy and regularity of operation.

Then there is the fact that we are going to increase the contentment of our employees, to solidify their interest in the company,



by means of this guaranty. Contentment and interest are hard to measure in actual money. . . .

Ultimately we may have to provide some reserve fund in case we have made a mistake in guaranteeing employment. This may be from 5% to 7½% of the employees' wages. But I do not expect we shall be obliged to do this.

If dull times come we may reduce the size of our employees' force. We might make a 10% to 15% reduction in personnel, for example, without cutting into the ranks of our old employees, because this percentage would represent a natural turnover of those who retire, who leave, or who are discharged.

*Walworth Manufacturing Company.* The Walworth Manufacturing Company has approached the problem of stabilization fundamentally from the view-point of coordinating the industry with conditions in the business cycle. The plan comprises a study of sales possibilities including market conditions, and correlation of the production program and other phases of the operation of the business accordingly. Howard Coonley, president of the company, describes the results as follows:

Here are the results for the year 1922: Our actual sales came within 5% of our estimate. Cumulatively the first six months were 8% in excess of the estimate; the first nine months were 4.3%, but the full year's figures were so close to the estimate as to be a coincidence. We do not expect again to equal this particular record. We have reason to believe that the earlier months of the year were thrown out of line because of our increased ability to ship promptly. Having advance information, we were able to decide on a production plan that would give us an even flow of material throughout the year, building up our stocks in the spring and summer months to meet the fall demand. This accomplished not only better service to our customers, but greater economy of production, more even employment for our workmen, and a great decrease in labor turnover. It enabled us to anticipate our material requirements and to take advantage of low-price conditions. It gave our treasurer exact information as to financial requirements. It made it possible for me to place before our directors a definite estimate of the amount of money that would be involved in producing in advance the excess stock necessary for fall delivery, and it justified them in adopting the program because I could assure

them that this investment could be liquidated before the end of the year. It enabled us to set up an ideal inventory for the end of the year and to work toward final liquidation to this ideal point. It proved that this inventory control was practicable because we came within the limit set by my office.

Of all these benefits, probably the greatest has been our ability to operate on an even basis throughout the year. Under the old conditions we would have produced 16% of our total requirements in the first quarter; 22% in the second quarter; 28% in the third quarter; and 34% in the fourth quarter. In 1922 it was possible to approximately equalize the quarterly production figures. In these days when seasonal employment is one of the country's greatest problems, when labor turnover is great, and when an actual shortage of labor has occurred, continuous employment at fair wages is the stimulus to the good workman that no temporary attraction can equal. Carried over a period of years it will secure the type of labor that makes for economy and efficiency. This does not mean, of course, that we can counteract the cyclical fluctuations. The fact that we are able to take care of this problem within each calendar year is a substantial step in the right direction.<sup>1</sup>

Among other plants having unemployment guaranties or funds combined with measures for the reduction of unemployment is Swift and Company, which has exercised control over the shipment of stock. The S. C. Johnson Company, of Racine, Wisconsin, has successfully introduced measures to help stabilize production through reorganization of production, sales, finance, and personnel. The Dutchess Bleachery, the General Electric Company at Schenectady, and the Leeds and Northrup Company are also among the companies that have adopted plans to gain the same general objectives.

In England, Rowntree and Company, of York, have introduced constructive measures as a company in addition to the National Unemployment Insurance Act. The company sets aside 1% of its wage bill till the sum amounts to 5% of the wage bill, after which the contributions are made so as to keep the fund at that amount. A maximum liability

<sup>1</sup>Coonley, Howard, "The Control of an Industry in the Business Cycle," *Harvard Business Review*, July, 1923.

of 1% is assumed for any one year. While the company guarantees the premium, it does not guarantee the benefits. In order to prevent abuse, the administration of the plan is placed in the hands of the workers. While the machinery of this plan is essentially for alleviation, the scheme in effect stimulates preventive measures on the part of both employer and workers.

The match industry of England has a plan similar to that of the Rowntree Company. At Port Sunlight the Lever Brothers Company has inaugurated a plan of unemployment insurance which is designed to stabilize the working force through removal of the fear of unemployment.

The general principles of unemployment prevention through planning primarily and through relief secondarily can therefore be considered as beyond the theoretical stage as such, whatever the present experiments may bring for the future.<sup>1</sup>

*The Construction Industry.* Organized effort in the promotion of greater stabilization of the construction industry is found in the work of the American Construction Council, certain branches of this industry and the various local building congresses. The efforts of the national council are directed primarily toward the development nationally of an enlightened public opinion as to the time most advantageous for the undertaking of new construction as well as of maintenance work, both throughout the year and from year to year. It is also intended to stimulate greater activity within the construction industry itself as to the advantages of regularized building operations.

Illustrative of the council's statements to the public on the need for greater stability of building operations and the public's part in securing such stability are the following excerpts from its statement of October, 1923:

Having in mind the great desirability for a longer working year in the construction industry, the benefits of which would accrue to

<sup>1</sup>See Chapter XX, page 385, for general discussion of unemployment insurance as a phase of social insurance.

the public, the contractors, the manufacturers, the transportation companies, and the various trades, and which would be helpful in reducing the seasonal peaks of construction activities which are conducive to increased costs, and further recognizing the general tendency at this time of the year to defer building projects until spring, the American Construction Council suggests that cognizance be taken of the following:

1. Maintenance, repairs, and alterations of existing structures, through long custom rather than through any other reason, are carried on during that portion of the year when new construction is most active. It will be in the interest of all concerned to do such maintenance work as is possible during the closed season, and now is the time for owners and managers to give this full consideration.

2. Miscellaneous new construction that should not take more than four to five months to complete can ordinarily be undertaken in the fall and carried on under more advantageous conditions which will result in satisfaction all around, at the same time giving continuous employment to workers who might otherwise be idle.

3. There appears to be a continuing demand for construction of large projects. It is perhaps too early to predict that this will result in an abnormal demand for labor and materials next spring, yet there seems to be such a trend. Therefore, until the season is further advanced and this can be determined more definitely, the situation in many localities suggests caution as indicated in the report of the American Construction Council of last spring. However, such necessary construction as is to be done should be arranged for now and the preliminary work undertaken at an early date so as to gain the advantage of all favorable periods for progress between intermittent interruptions caused by inclement conditions and in addition relieve as much as possible the congestion that may come in the spring.

4. The American Construction Council is considering the economic aspects of the construction industry as they affect the people of this country as a whole and this statement is not intended to apply to those localities where the supply of labor is ample and weather and climatic conditions will permit construction work to go forward normally.

Later in the same year the council, in emphasizing the desirability of winter work in construction, called attention to the fact that: "Notable instances of major operations

conducted during the fall and winter months during the past year or two with savings in construction costs ranging as high as 10% show the practicability of winter work and the benefits immediately accruing to individual owners and the public as well as to builders and labor on the job." The same statement points out that: "If winter is to bring a lull in meeting the demand for construction, next spring will find the construction industry confronted with problems of shortage in materials and labor, transportation difficulties, and a rising market that will seriously interfere with its progress. If that occurs the public will be forced to incur costly delays in getting needed improvements and run the risk of higher if not prohibitive prices."

To the local building congresses falls the direct efforts of a more administrative nature to encourage the exact type of operations most suitable to the given locality with regard to the general trend of construction, in addition to the development of a favorable public opinion in their respective localities. The New York Building Congress, for example, has secured considerable data showing the practicability of winter construction on major operations and giving costs as very favorable on such work. Both the New York Building Congress and the Boston Building Congress made a careful analysis of the seasonal character of work for the various building trades and took the initiative in getting certain major building operations scheduled so as to fit in most advantageously with the general trend of activities in their respective localities at the time. Other congresses have secured similar benefits.

Generally speaking, this entire movement within the construction industry, in both its national and local phases, represents the voluntary attempt of a great industry to stabilize, in so far as practicable, its operations through the organized cooperation of all of its elements in the development of intelligent planning within the industry and an enlightened frame of mind on the part of the building buying public toward the industry.



Official interest on the part of the Federal Government in the stabilization of the construction industry is seen in the appointment by Secretary Hoover of a special committee on unemployment to investigate conditions in the industry and make recommendations for their improvement. Aside from Mr. Hoover's representatives on this committee, it was composed of men from within the industry itself. The committee's final report goes at length into the evils affecting the industry arising from irregularity of operations, and suggests remedies for them. The most significant conclusion in the report is that custom, rather than climate or other conditions, is the main cause of irregularity of employment in the industry<sup>1</sup>. In furthering the adoption of the constructive measures urged in the report, the American Construction Council and the local building congresses are cooperating with the Department of Commerce. The Secretary of Commerce also, in the spring of 1923, called the official attention of the president to the necessity of scheduling the building of public works so as to aid and not interfere in greater stabilization of construction.

#### COOPERATION WITH COMMUNITY

But the lone employer frequently cannot solve the problem entirely by himself; there must be cooperation between employers and with *the community as a whole*. The advantages of such cooperation are particularly noticeable in the case of the seasonal trades. Change of workers from one plant to another under prearranged plans according to the respective fluctuations in the various industries should be effected. Such a plan would eliminate the waste incident to maintaining, either consciously or otherwise, a separate reserve of labor for each plant. In such a program, the community, through its organized agencies, should cooperate in every reasonable way with industries

<sup>1</sup>The full report of this committee is now available.

sufficiently diversified in nature so that their slack and busy seasons come at such times that the several employments may be dovetailed.<sup>1</sup>

#### BALANCE BETWEEN CONSUMERS' NEEDS AND PRODUCTION

More general cooperation between producer, distributor, consumer, and state agencies will have a far-reaching effect in reducing the evils of unemployment. Production and marketing should be balanced with consumers' needs. The general principles that might well be employed in this direction in certain industries are illustrated in the statement of the President's Bituminous Coal Commission,<sup>2</sup> issued in March, 1920, which, in speaking of the bituminous coal industry, says in part:

A wage settlement for the moment is not a correct or adequate answer to the problem. The coal industry has been on an unsound basis for years, because of its seasonal character and the resulting car shortages and car service intermittencies. When the market drops in the spring and summer there are idle men, idle mines, and idle cars. From the standpoint of employers and employees the industry has yielded a hazardous return.

The solution of the problem is to bring about evenness of production and distribution. This can be done by the cooperation of the railroads, public utilities, and steel companies as consumers, on the one side, and of the operators, the Interstate Commerce Commission, the banks, and the Federal Reserve System on the other side. Some of the leading railroads have given assurances of their cooperation. Others approached have not.

If virtually complete cooperation is assured, it will result in time in a subsequently even production, continuous employment, and even distribution throughout the year. The small consumer will then not have to compete with the large consumer in the winter, and will not be at the mercy of the practice of commandeering on the grounds of priority. Until this is done, wage costs must of necessity be high; but when this is accomplished, prices should be

<sup>1</sup>See *U. S. Monthly Labor Review*, April, 1920, p. 40. See also report of President's Coal Commission, 1923.

<sup>2</sup>In this regard the report prepared under the auspices of the United States Department of Commerce on seasonal unemployment in the building trades should be noted.

more reasonable, employment more continuous, and the industry better stabilized. The present inexcusable and extravagant waste would then be eliminated.

#### GENERAL DISTRIBUTION OF LABOR—NATIONAL, STATE, AND COMMUNITY EXCHANGES

The distribution of the country's labor supply should be coordinated with the regular requirements of production in the various industries and localities. This is necessary even after the several industries have taken all possible measures to make their production regular and continuous.

This requires that first of all there be agencies for supplying information to workers and to employers regarding supply and demand in each particular case and for putting the proper employer and worker in touch with each other, and also that the workers may be enabled to move from one job to another without undue waste or friction. In other words, machinery must be established so that labor may be allocated and distributed according to the work to be done by industry. The country as a whole must be in a position to coordinate supply and demand so that the surplus of one industry may be utilized by another industry or the surplus of one locality be utilized in another locality. To accomplish this end necessitates the establishment and maintenance of an efficient public employment service both national, state, and community in its scope.

In order for such a system of national employment exchanges to be effective, employers must so coordinate and maintain their policies on employment and labor relations that industry can intelligently cooperate with the public in its efforts in this regard.<sup>1</sup>

These facts illustrate the need for a national informational service for all industry, probably governmental in nature, which will secure authoritative facts regarding the general economic needs of the country, the requirements for

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<sup>1</sup>For further discussion of these questions, see Chapter XVI, "Labor Supply," and Chapter XXIII, "The Plant Labor Department."

essential and secondary commodities, the supply of raw materials, the supply and demand of labor, and other allied factors necessary to the intelligent cooperation in business between industries and also between industry and the consuming public.

But this presupposes that each productive unit has reasonably well-planned schedules of production in relation to carefully determined requirements. It equally presupposes that production be directed towards proper lines of endeavor—that appropriate things be produced. It also requires intelligent coordination of the marketing and producing ends of industry, as previously noted.

#### EXPANSION OF INDUSTRIAL EQUIPMENT IN PERIODS OF DEPRESSION

Careful planning of the expansion of industrial equipment so as to do the greatest possible amount of building and the installing of the machinery and other physical equipment of industry during periods of general business inactivity would do much to eliminate many of the present evils of unstable labor demand. As Mr. Hoover has said:<sup>1</sup>

Our studies of industries as a whole show that we usually expand our equipment just at the periods of maximum demand for their products instead of doing our plant expansion during periods of slack consumption. We thus make double demands on labor and we doubly increase unemployment in periods of reduced consumption. That is indeed one of the factors in our great unemployment today. Every one knows that for our normal productivity, our transportation facilities are today inadequate. We know that we are insufficiently housed, insufficiently equipped in our public roads and our public utilities; that we need an entire revision of our power supply, that we need expansion of our waterways and yet armies of idle men are walking the streets. The reasons why this occurs are not far to seek, in that it is at times of high productivity that capital is most easily obtained. It is then that the necessity of increased equipment most impresses men's minds and

<sup>1</sup>Hoover, Herbert, address before American Engineering Council, Syracuse, New York, February 14, 1921.

it is the high hopes of these periods that lead them into the adventure of expansion. Nor is it possible to expect that all industry could be so stabilized as to do its capital construction in periods of depression in commodity demand. Nevertheless, there are some industries that could, by cooperation of the government and cooperation among themselves, be led in this direction. More particularly does this apply to railways, telephones, telegraphs, power supplies, and other public utilities, and to the expenditure upon our state, municipal, and national public works.

#### PUBLIC IMPROVEMENTS IN SLACK TIMES

The provision of useful public improvements during slack seasons and times of economic depression in private industry is another important method that can be utilized by the public in offsetting varying demands for labor as well as unemployment. Permanent improvements in building, construction of public highways, and similar work, are illustrations of what can be done. Certain cities, for example, among which are Chicago, Philadelphia, Cleveland, Detroit, Seattle, Baltimore, Dallas, and Memphis, have in the past undertaken some form of permanent improvements during the period of depression following the world war. California and Wisconsin have by law promoted the long-range planning of public works. The Federal Department of Commerce has officially called attention to the principle for both public and private work. Greater activity on the part of municipalities, as well as state and federal agencies, is desirable. The advantages of such public programs lie not only in the direct and more stable employment of labor and of capital, but in the increased buying power of the community that is thereby made possible.

Federal, state, and local governments can provide for improvements planned beforehand and with funds set aside for the purpose so as to take care of certain conditions of unemployment. Utilization of reserve public funds, planned in advance so as to be readily available when needed, is a possible aid in this direction. It is of particular importance



if periods of depression and unemployment recur in more or less definite cycles, as have occurred in the past.<sup>1</sup> Such buffer employment, however, should not be utilized to take the place of constant efforts on the part of industry and the state to reach the fundamental causes of unemployment.

#### PSYCHOLOGY OF THE BUYING PUBLIC

One of the most important factors in reducing unemployment is the education of the buying public to a proper attitude of mind in determining the nature and time of purchase. In what are now the seasonal trades, for example, the public, by making its wants known sufficiently beforehand, can do more to stabilize production than any other one thing. Insistence by the public upon staple commodities, which can be planned and produced beforehand, such as more conservative styles in clothing, is another remedial measure that could be employed with very beneficial effect to the public.

#### ATTITUDE OF THE WORKER

Much can be done by the individual worker toward relieving unemployment. Reasonable care by him in maintaining not only sufficient, but also regular production, so as to make for stability on the job, will go far in enabling careful planning on the part of management in addition to furthering low-cost products. This is true not only for the organization and administration of daily production, but also in determining policies regarding future orders and consequent long-range policies in coping with irregular market demands.

Thrift among workers by helping to maintain stability of purchasing power during periods of depression has an important influence in preventing conditions of unemployment as well as in alleviating their effects.

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<sup>1</sup>In this connection, see discussion of business cycles; also see references on "The Business Cycle," Chapter III.

## OTHER FACTORS AFFECTING UNEMPLOYMENT

*Unemployment and Education.* Child labor, and too early entrance of the youth into industry, tends to increase unemployment, particularly in periods of depression. The employment of the youth of the country at a too early age not only increases the immediate numerical labor supply and affects rates of wages, but during periods of depression it increases the unemployment of able-bodied adult workers. It also deprives the youth of the opportunity to secure adequate education, and thus tends later seriously to affect his earning capacities and his opportunity for service in industry. The unskilled, incompetent worker constitutes a major portion of the actual labor of the country that is hardest hit in periods of depression.

These factors call to mind the need for education not only in technical skill, but in broad fundamentals that will furnish a basis for the worker more readily to adapt himself to changing needs and demands for his labor in times of unemployment. One effect of the minute specialization of work in modern industry, while it has made the individual worker more efficient in his particular line, has been to reduce his adaptability and availability for other types of work in case the demand is slack in his given occupation.

*Unemployment and Vocational Guidance.* Closely related to the preceding factors is the place of vocational guidance. This problem must be considered not only in light of the particular individual, who should have every opportunity to choose wisely an occupation for which he is suited, but also in relation to the needs and requirements of the various occupations, particularly with regard to their general nature and stability and the demand for workers in them.

*Unemployment and Hours of Work.* Excessive hours of work may operate directly to increase unemployment. This is particularly true where low wage rates make long hours of work necessary in order for the individual worker to gain

a livelihood. The additional hours of labor spent by him eliminate other workers from employment. The exact extent to which this factor operates in a given case depends, aside from general economic conditions affecting the industry, upon the types of work and the relative efficiency of the individual worker arising from long hours of work.

*Immigration and Unemployment.* Unemployment may be greatly affected by immigration. Immigration, particularly during periods of economic depression when work is slack, accentuates evils of unemployment at the time, and may lay the foundation for future unemployment. Careful regulation of immigration according to the demand and supply of labor for each type of work is therefore desirable. In this regard the problem of immigration may be considered as a world-wide phase of the allocation and distribution of labor. As such, it presents serious matters requiring careful thought, and adjustment with regard to conditions of unemployment, actual and potential.<sup>1</sup>

<sup>1</sup>Further discussion of these points will be found in Chapter XVI.

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## XVI

### THE LABOR SUPPLY

Problem of the labor supply. Unemployment and the labor supply. Extent of the labor supply: (1) as to demand, (2) as to need. The lump-of-labor theory. Quality of the labor supply. Agencies for the distribution of the labor supply. Relation of state and local administration of public employment agencies. Immigration and the labor supply. Selection of immigrants. Naturalization and assimilation. Federal regulation and control. Induced, assisted, and contract immigration. Immigration a basic problem.

THE problem of the labor supply presents three general phases:

1. The extent or amount of the labor supply;
2. The quality of the labor supply;
3. The distribution of the labor supply.

These three phases are closely interrelated. Poor quality of labor from the standpoint of productivity, for example, tends to increase the number of workers required and consequently lessens the relative extent of the labor supply. Likewise, bad allocation of labor may affect the practical utilization of the supply in both quality and extent. Each of the factors, however, must be carefully analyzed by itself in order to arrive at a practical plan of administration in dealing with the supply of labor in any given situation.

Unemployment and the labor supply are correlated problems. As already noted, the amount and distribution of labor, as well as its efficiency in production, are factors directly conditioning the degree of unemployment that may exist. The same factors that cause unemployment also apply to a relative increased labor supply, and those factors that operate to prevent unemployment make for a relative decreased labor supply.<sup>1</sup>

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<sup>1</sup>These factors are discussed in Chapter XV.

## EXTENT OF THE LABOR SUPPLY

1. *As to Demand.* There are certain factors operating more or less regularly over long periods of time to determine fundamentally the extent of the general labor supply. Its extent for a given community is a *relative* matter, being determined in the first instance in relation to the *demand* for labor. The same number of workers who in 1919, for instance, may have constituted a labor shortage in this country, in 1921 constituted a serious labor surplus.

(a) *Primary Factors.* Demand for labor increases, that is, the relative supply of labor decreases, with:

(1) The regular expansion of business through demand for increased or greater production;

(2) Inventions which make ultimately for stimulation of increased consumptive demand and open up new fields of production;

(3) The ever-increasing complexity and extent of human wants.

The supply of labor increases, that is, the relative demand for labor decreases, with:

(1) Increase in population, either domestic in nature or through immigration;

(2) General business depression, or peculiar economic conditions affecting the industry involved;

(3) Increased skill or training among the workers;

(4) The temporary effect of inventions and increased efficiency in the methods and equipment of productive units, which of themselves require less labor.

(b) *Secondary Factors.* Illustrative of how certain secondary, though often controlling, factors in any given instance affect the labor supply are lack of managerial efficiency, restriction of output on the part of management or labor, poor working conditions that reduce the efficiency of the workers, and the like, all of which tend to make for



increased labor demand. Likewise, the opposite of these conditions, and such factors as long hours of labor, tend to make for a relative increased labor supply. The immediate and ultimate results of such conditions as these, however, are often exactly opposite. Lack of managerial efficiency and industrial foresight, for example, may temporarily tend to cause increased labor demand to make up for managerial inefficiency, but in the long run may cause lessened employment for labor. Again, restriction of output on the part of labor may temporarily bring about increased immediate demand for labor, but ultimately through prohibitive costs of production may cause unemployment. Excessive hours of work may temporarily cause less labor to be required, but in the long run may necessitate an increased working force through reduced efficiency of labor.

Just as there is a point beyond which an increased labor supply is not desirable, so also there is a point beyond which a decreased labor supply is not desirable. Maintenance of a wholesome equilibrium between a shortage and surplus in the labor supply is the condition to be desired.

#### THE IDEA OF A LABOR RESERVE

There often exists what is termed *the labor reserve*. This reserve may be national or local in extent and affect all or just particular industries. It is sometimes thought of as a necessary industrial phenomenon in order to provide labor *immediately when and as wanted* by industry. The existence of a labor reserve in quantity, whether local or national in scope, is an industrial evil. Its causes are to be found in the factors that make for a surplus of labor and consequent unemployment. Its effects upon the unemployed and also its influence upon the employed through the economic evils of lessened buying power and reduced standards of living, and the stimulation of industrial disturbance, are often serious and far-reaching.

2. *As to Need.* The extent of the labor supply is determined in the second instance in relation to the *need* for labor. Demand for labor and the need for it may not coincide. Thus, in a period of general economic depression human needs may require the effort of the total potential labor supply, but the active demand for labor through the inability of industry to operate may be much less. A surplus as to demand may therefore exist together with an actual shortage or at least no surplus as to need. Such is often the case in periods of wide-spread unemployment when the world needs greater production and has the necessary labor, but industry is unable to operate accordingly.

Other things being equal, however, fundamentally the relation between need and the demand for labor depends upon the relation between the consumptive and productive capacities of the world. This raises the question of appropriate occupational pursuits of the world's population. All cannot be bankers, or all farmers, and maintain the proper balance between the consuming and producing factors. Inasmuch as want tends to create demand, however, the two forces in time tend to balance.

#### THE LUMP-OF-LABOR THEORY

The lump-of-labor theory, widely prevalent among some groups of workers, assumes that there is a certain definite and limited amount of work to be done requiring a given amount of labor, and that, consequently, less work performed by the individual leaves more to be done. If the individual works less, it is therefore assumed that there will be more work to benefit the group. Restriction of output, it says, makes greater employment.

The foregoing discussion indicates some of the *basic* fallacies in this theory. Among other things it ignores the relation of unit costs of production to stimulation of demand for production, the complexity and expanding nature of human wants, and the fundamental relations between the

consumptive and the productive forces. It is basically a false theory for reducing a surplus of labor.

From the standpoint of the individual, however, who at any particular time has no control over the broader forces at work, the lump-of-labor theory has apparent justification and sometimes effective application. The worker utilizes the immediate means within his power, and effects a reduction in what seems to him to be a surplus of labor. Whether such acts may be prompted by what may seem to be justifiable desire on his part to maintain employment or through desire to gain unjustifiable control over terms and conditions of work, the results are the same. Speaking of the lump-of-labor theory, Edwin F. Gay in part says, "The economist is right 'in the long run,' but the worker, from his immediate and individual standpoint, is also right. He cannot take the far-sighted and sounder view until through the combined forces of the industry, the workers, and the state, the individual has protection against the constant danger of unemployment. Now, I am not at all making this point in order to justify the restriction of output; but simply insisting that we have to understand it, to realize that one of the fundamental reasons for limiting output is the fear of unemployment."<sup>1</sup>

#### QUALITY OF THE LABOR SUPPLY

The quality of the labor supply in its fullest significance must be considered from two view-points—the efficiency of the workers in a productive capacity in industry and their proper function in the economic, social, and civic community at large.

As already noted, the quality of labor affects the amount of the labor supply. In the first place, it requires consideration of the various types of work to be performed in industry and varying degrees of skill within each type of work. It also involves the questions of training and edu-

<sup>1</sup>Gay, Edwin F., *American Labor Legislation Review*, June, 1921, p. 159.

cation of a technical nature. Proper training is a source of labor supply, and in this regard it directly affects the amount of the labor supply.

In the second place, the quality of the general labor supply affects the community from the standpoint of good citizenship. It involves questions of the earning of a livelihood and personal economic stability, education and culture, standards of living, and contribution to the general well-being of the community. Here the worker as a consumer of the products of industry as well as a citizen must be considered. Hence, types of immigrants, training and education, the effect of the industrial processes upon the workers of the community, standards of living, and similar factors, are among the administrative problems of first magnitude to be dealt with in this connection.

#### THE DISTRIBUTION OF THE LABOR SUPPLY

1. *Organized v. Unorganized Distribution of the Labor Supply.* Even though the extent and quality of the labor supply be appropriate for a given locality or country this supply cannot be effectively applied in industry without being properly allocated and distributed. The need for intelligent cooperation between particular industries and between industry and the state in this regard has already been indicated in relation to the problem of unemployment.<sup>1</sup> The administrative features concerned in the organized distribution of labor supply will be discussed here.

2. *Private Employment Exchanges.* The first type of administrative machinery that developed to meet the need for better distribution and placement of workers throughout industry was the private employment agency. These agencies have been conducted for profit, and range in type of service performed all the way from the furnishing of manual laborers to supplying teachers and high-grade execu-

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<sup>1</sup>See Chapter XV.

tives. Certain of the quasi-private exchanges, such as the collegiate placement bureaus, are conducted for service rather than profit. More or less philanthropic employment offices have also sprung up. These are in addition to various employment exchanges of a private nature operated by employers' associations and labor groups.

Although the private employment agency operating for profit has often met a distinct need, it has generally come to be recognized as having distinct defects and as tending to methods that are uneconomic or even reprehensible.

First, through the charge of a fee either the worker or the employer must pay for the worker's securing the job. Performance of this function, it has been claimed, is of such economic and social importance as to become a function of the state, to be supported with propriety through the taxing power of the state. Second, the immediate interests of the private employment exchange in some cases seem to be directly opposite to the interests of industry and the community. "Inasmuch as the interests of the private fee-charging agencies," wrote Secretary Wilson in urging a system of public employment offices, "are fostered by constant shifting of workers from one employment to another, they are under constant temptation, to which, unfortunately, they sometimes yield, to encourage restlessness among laborers and thus to increase the evils and economic laws which inhere in a large labor turnover." Third, the private employment exchange cannot effectively organize the distribution of workers throughout the community or state, and, hence, is inadequate to meet the need.

3. *Public Employment Exchanges.* Gradually the need for public control of employment exchanges has become recognized. The first permanent public employment exchanges in this country were established by Ohio in 1890. Their development for more than a score of years following that was gradual and erratic, being enhanced during periods of unemployment. Many other states set up such agencies



and the movement had grown to such an extent that the organization, in 1913, of the American Association of Public Employment Associations was formed. In 1914 the National Conference on Unemployment of the American Association for Labor Legislation was a recognition of the public employment office on a national scale.<sup>1</sup> The activities of the Federal Government of the United States were represented first by the law of 1907 which gave certain powers to the Bureau of Immigration and Naturalization to promote the placement of immigrants. This service received further impetus after the creation of the United States Department of Labor in 1913, and by giving post-offices throughout the country duties in employment work. It remained, however, for the necessities of war early in 1918 to stimulate the actual formation of a federal employment service, which operated on a large scale through the war emergency. The history of the development of public employment exchanges in this country shows that they are particularly enlarged during the periods of unemployment and under war stress.

In general this same trend of development has been typified in other countries. England passed its Labour Exchange Act in 1909. The employment exchange activities of national governments in connection with the immigration service has also been a common though not simultaneous development throughout the leading industrial countries of the world.<sup>2</sup>

Whether the public employment exchange should represent complete control of the distribution of labor or be merely a service supplementary to the activities of private agencies and of industry itself has been a debatable question. The New York State Reconstruction Commission of 1919 opposed the system of private employment agencies,

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<sup>1</sup>For detailed discussion of the development of public employment exchanges, see Don D. Lescohier, *The Labor Market*, 1919, chaps. vii, viii, and ix, upon which much of the present historical discussion is based.

<sup>2</sup>For discussion of the development of public employment offices in foreign countries, see the *U. S. Monthly Labor Review*, October, 1919; see also Don D. Lescohier, *op. cit.*, p. 200.

except for those supplying service of a personal and professional nature, and, in its report, urged complete state control.

The State Industrial Commission should license all agencies excepting those in first-class cities. In such cities the licensing should be done locally. The state should divide all fees equally with the cities. The state's fees should go into a fund for the bureau of employment.

The commission would enforce the present state law providing for standard registers and the submission of figures by private employment agencies. It would direct the industrial commissioner to develop a program which should cover: the organization of the labor market to bring about dovetailing of winter and summer trades; direction of labor to new occupations when changes of industrial structure displace men from chosen occupations; reserving certain places in industry for older men and women; concentrating attention on the need for industrial training; directing boys and girls away from "blind alley" employment; testing periodically and comprehensively the amount of unemployment, and in cases of seasonal employment, urging employers to shorten hours rather than discharge employees . . . .

In dealing with the problem of employment offices, the commission says the ideal condition will be attained only when the state system of exchange becomes, in effect, the exclusive source of supply for labor. "To that end the permanent legislative policy of the state should be directed."<sup>1</sup>

Speaking of the tendency toward abolition of private agencies in Canada, Brice M. Stewart says: "This gradual elimination of commercial agencies is in conformation with opinion in England, where they will permit only the placement of domestic servants, but there appears no considerable measure of agreement in the United States."<sup>2</sup>

Among the objections to complete control of employment exchange systems by the public are the possible operation of political prejudice and the general opposition to state interference in private industry.

<sup>1</sup>The New York Times, August 17, 1919.

<sup>2</sup>The Employment Service of Canada, by Brice M. Stewart, Bulletin of the Departments of History and Political and Economic Science in Queen's University, Kingston, Ontario, Canada. Reference on opinions for and against state monopoly for employment agencies is also given.

THE RELATION OF STATE AND LOCAL ADMINISTRATION OF  
PUBLIC EMPLOYMENT EXCHANGES

The relation of national, state, and local administration of the public employment exchange should be based fundamentally upon the principle of development from the bottom up—from the local toward the national system. In other words, just as the individual plant or industry meets its own legitimate needs in so far as possible without calling on outside help, so does the local community meet its needs when it can without calling upon the state, and the state meets its needs when possible without asking national assistance. The interests of the local community and the country as a whole, however, are interrelated, and local and national agencies should cooperate with each other. The state service would handle labor clearance and the furnishing of industrial needs between various communities within it, and the national service would handle clearance and the furnishing of information on industrial needs between states. In discussing the relation of a national employment service to state and local services, Secretary of Labor Wilson said:

In my judgment, the duty of maintaining a system of labor exchanges is primarily one which rests upon the municipality and the state. The expense, for example, of securing employment in New York City for men and women out of work there and of assisting employers there in securing labor does not seem to me to be one which should be borne by those who pay taxes to the nation, without contribution by the citizens of the state and city of New York. Not only does the obligation rest primarily upon the locality, but the local government is also primarily concerned with the efficient administration of the local offices, and those who live in the locality are in the best position to observe and insist upon efficient local administration.

On the other hand, the establishment and maintenance of an efficient system of local labor exchanges is a matter of national concern. An effective adjustment of labor supply and labor demand frequently means movements of workers from one state to another. The Federal Government is the one power which can secure sufficient uniformity of method and interchange of informa-

tion to accomplish the required results. The United States Employment Service, for example, has been instrumental in transferring between states an average during the year 1919 of over 8,000 workers a month.

The goal toward which the proposed legislation is aimed is a locally operated system to which the Federal Government contributes an amount equal to that contributed by the state, the federal contribution being conditioned upon compliance with uniform rules, regulations, and standards of efficiency required by the national service. For such a system numerous precedents exist.<sup>1</sup>

In speaking of Great Britain's experience with its national employment service, R. C. Davison, of the British Ministry of Labor, set forth the following advantages as being secured:

The national employment service has shown its practical value in the following chief ways:

1. It has kept the fingers of the government on the pulse of industry and employment as could be done in no other way.
2. It has been able to effect an economy in time and labor; the time saved in the passage of workers from one job to another amounting to many thousands of days a year.
3. It has improved the distribution of labor and reduced the wastage due to labor turnover by maintaining a free employment office in each district where employers can list their labor needs and workers can learn of opportunities of employment. This gives a broader area of selection or choice to both employer and workers.
4. The law in England prohibits the private fee-charging agency, except as regards the domestic servant, and any worker, man or woman, skilled, unskilled, or professional, has the opportunity of obtaining assistance to employment from the government without any cost for the service rendered to him or her, or the employer.<sup>2</sup>

The successful operation of a national employment exchange presupposes a national industrial information ser-

<sup>1</sup>New York *Times*, May 30, 1919. For an extended discussion of a plan for a federal employment service, see "A Federal Employment Service," Don D. Lescohier, *The Labor Market*, chap. xi.

<sup>2</sup>New York *Journal of Commerce*, June 19, 1919.

vice that will properly determine the need for, and supply of, labor in cooperation with the several states throughout the country. Such a service must take into account the basic economic conditions affecting the expansion and contraction of particular industries, locally and nationally, as well as general economic conditions.

#### IMMIGRATION AND THE LABOR SUPPLY

The nature and extent of the immigration of a country affects the character and amount of its labor supply in its various economic, social, and political aspects.<sup>1</sup> Presenting as it does peculiar problems in these fields, immigration also commands special attention with regard to the distribution of labor. Any country must face its immigration problem with all of these angles in view. What may be a desirable influx of aliens into a country and their allocation at one time may not be desirable at another time for the same country.

*Extent and Nature of Immigration.* The importance of the immigration problem in numbers alone is indicated by the fact that the 1920 census showed nearly 14,000,000 foreign-born persons in this country, and over 22,000,000 more, one or both of whose parents were foreign born. From 1895 to 1914 nearly fourteen and a half million aliens came into this country, and from the middle of 1914 through June, 1920, which embraces the war period, approximately a million and a half aliens entered, making a total up to that time of approximately sixteen millions since 1895.<sup>2</sup> In 1921 there were 805,228 immigrants;<sup>3</sup> in 1922 there were 309,556; and in 1923 there were 522,919. It should be

<sup>1</sup>In this treatment of the problem of immigration, the discussion of the labor supply in the preceding pages should be borne in mind.

<sup>2</sup>The effect of the business cycles upon immigration should be noted. Periods of boom conditions in a country stimulate immigration, while periods of depression discourage it.

<sup>3</sup>See New York Times, February 17, 1924, "One Hundred Years of Immigration," by Hon. James J. Davis.



noted that the "3%" law went into effect June 3, 1921.<sup>1</sup>

The total number of immigrants that remain in this country, of course, is less than the number that enter. Also the relation of immigrant to non-immigrant arrivals as well as of emigrant to non-emigrant departures must be allowed for. For the 11 years beginning with the fiscal year of 1910 and running through the fiscal year of 1920, the excess of immigrant arrivals over emigrant departures was a little under four millions and a half.<sup>2</sup> For the year 1920 the excess of aliens admitted over aliens departed was 193,514; in 1921 it was 552,132.

There is also the question of the type of immigrant. The questions of racial relations, economic stability, previous and probable occupation, future residence, political and social attitude, standards of living, citizenship intentions and general adaptability to the laws and customs of the country are among the necessary factors to be considered. Less than half of the nearly 14,000,000 foreign-born shown by the 1920 census were naturalized. These are factors that have to do with the immigrant himself in addition to the question of trade skill. On the other hand, the need for his labor, its geographical and occupational allocation, the effect on wage standards and working conditions, the possibilities of assimilation by the state or community into which he is to go, and the like, are facts for the commu-

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<sup>1</sup>The immigration bill of 1924, effective July 1, 1924, further restricts, except for a non-quota group, the quotas to 2% for Europeans as shown by the number of foreign-born in the Census of 1890, and with certain exceptions generally excludes Asiatics. The new act provides for the examination of the immigrant when he leaves his native country.

<sup>2</sup>From figures of the Bureau of Immigration. See *Annual Report of the Commissioner of Immigration*, for the fiscal year ending June 30, 1920, p. 35, and current "Annual Reports."

"Arriving aliens whose permanent domicile has been outside the United States who intend to remain permanently in the United States are classed as immigrant aliens; departing aliens whose permanent residence has been in the United States who intend to reside permanently abroad are classed as emigrant aliens; all alien residents of the United States making a temporary trip abroad and all aliens residing abroad making a temporary trip to the United States are classed as non-emigrant aliens on the outward journey and non-immigrant aliens on the inward."

nity to determine with regard to itself. Immigration as a source of supply for unskilled and semiskilled labor for the manufacturing industries and agricultural pursuits, and the possible shifting of workers from the agricultural to the manufacturing industries presents difficult problems. The effect of immigration upon the efficiency of workers already in a community is another problem for careful consideration.

*Selection on Entrance.* These facts raise serious questions in regard to the administrative policies and functions of the government on the entrance of aliens into the country. Immigration must be selected and controlled. What shall be the attitude on matters of nationalities, illiteracy, general intelligence, and acquaintance with American institutions and ideals? To what extent shall selection be made before aliens depart from their home country and to what extent shall it be made upon their entrance to the shores of this country?<sup>1</sup>

*Naturalization and Assimilation.* Inseparably linked up with the problems of selection are the problems of naturalization and assimilation. If literacy, for example, is not always made a test for entrance into this country, the applicant for citizenship should be able to read and speak the English language. Acquaintance with the fundamental institutions and ideals of the country should be made a much more rigorous requirement for naturalization than for entrance. But without proper follow-up steps on assimilation the initial steps of selection and naturalization may be of little permanent avail, for even after the minimum requirements in these regards are met, education is still fundamental.

*Federal Regulation and Control.* Federal recognition of the many problems connected with immigration found its

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<sup>1</sup>In this connection, note the provisions of the Immigration Act of 1924, previously cited.

earliest expression, aside from matters of a political, social, moral, and health nature, and personal livelihood, in restrictive legislation on induced, assisted, and contract labor. After the repeal, in 1868, of the earlier law of 1864, which in effect had stimulated contract labor, the restrictions against contract labor have increasingly developed in the Acts of 1885, 1891, 1907, 1917, and 1921. The literacy-test provision of the immigration law of 1917, the provisions for selection according to types of nationality in the Act of 1921, later extended by the Act of 1924, and the Americanization work of the Bureau of Naturalization, aside from the general activities of this bureau, show an increasing restrictive and educational policy on the part of the Federal Government.<sup>1</sup>

#### INDUCED, ASSISTED, AND CONTRACT IMMIGRATION

A large proportion of the immigration of the past has been stimulated by relatives, friends, or employers in this country. "Induced immigration," says Commons in speaking of imported labor, "has been as potent as voluntary immigration. And it is to this mercenary motive that we owe our manifold variety of races and especially our influx of backward races."<sup>2</sup> Unskilled and cheap labor has been the special object of activities on the part of some employers to secure alien labor. But aliens who have come to this country often present a similar problem of themselves through their personal activities in persuading friends and relatives to emigrate to this country.

Induced immigration in general presents peculiar problems. As already pointed out, immigration should be regulated according to the needs and capacity of industry determined in relation to the native labor supply, and not be made subject to a misapplication of personal interest and

<sup>1</sup>See Commons and Andrews, "*Principles of Labor Legislation*," pp. 69 ff.; "U. S. Immigration Law of 1921," reported in the *U. S. Monthly Labor Review*, June, 1921, p. 222.

<sup>2</sup>Commons, John R., *Races and Immigrants in America*, 1920, p. 108.

desire for private gain. In speaking of these features with regard to the Immigration Act of 1917, the Commissioner of Immigration pointed out:

The law does not provide that every alien coming to the United States shall have paid his own passage, nor that he shall have any specified amount of money in his possession; and herein lies the danger that there will be aided in coming from war-stricken and other countries large numbers of destitute aliens who are liable to become public charges. However appealing this class of cases may be, the bureau is convinced that the only safe rule to follow is that of enforcing the law. The purpose to assist this class of immigrants is natural on the part of relatives in this country and in foreign lands, but there is the added danger that immigration will be unlawfully stimulated by the aid of associations or individuals, as it is difficult with the means at the command of the bureau to detect violations of the law in this regard.

In view of the present unsettled conditions, however, it is fortunate that the law gives authority to punish severely persons, transportation companies, and others inducing or promoting immigration for profit, it being possible to impose heavy administrative fines for violations in this respect, and in case of persistent violations even to deny a steamship company the right to land passengers of any or all classes at United States ports for such a period as may be necessary to insure an observance of the law. Unless these provisions are adequately enforced, great additions to the normal movement of immigration will result, and congestion of destitute aliens at our ports can be expected, causing embarrassment as well as leading to many hardships . . . .

The procedure provided in the Immigration Act of 1917 to enable a prospective importer to obtain, upon proper showing, departmental permission to bring into the country skilled laborers when those with the requisite qualifications are not to be found here has proved its effectiveness, as increased numbers have taken advantage of the privilege thus extended.<sup>1</sup>

#### IMMIGRATION A BASIC PROBLEM FOR INDUSTRY

The problems that immigration presents to industry are many and real. The earlier policy of American industries which favored practically an unrestricted immigration re-

<sup>1</sup>*Report of the Commissioner of Immigration, 1920, pp. 16-17.*

quires modification. Industry cannot have a practically unrestricted immigration of quantity and still expect its institutions and practices to remain unchallenged. With the development of new relations between employers and workers, furthermore, the trend that these developments will take depends largely upon the type of workers dealt with. Cheap foreign labor, for example, may temporarily enable industry to operate and even to increase profits, but in the long run it may upset the very foundations of industrial government itself. As Honorable Charles Nagel, former Secretary of Commerce and Labor, has said:

In the future the question is not going to be one merely of hours and wages. It is going to be a question of attitude between proprietor and wage-earner. You cannot throw democratization upon the international screen, as we have done, and have it read by all the peoples of the earth, setting them all adreaming, and then dismiss that word as though nothing had been said. We have got to meet the problem.<sup>1</sup>

Industry and the community must not take in more aliens than can be properly assimilated. This assimilation must be such as to permit intelligent cooperation between employer and worker in determining their future relations.

<sup>1</sup>*Current Affairs*, Boston Chamber of Commerce, December 27, 1920.

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## XVII

### HOURS OF WORK

Hours of work condition productive efficiency and general well-being. Divisions of the working period. Relation of hours and productivity. Relation of hours and fatigue. The law of personal efficiency. Hours and costs. Hours and unemployment. Personal and social considerations.

HOURS of work condition labor's efficiency in production, the worker's personal well-being, and general economic and social stability. What constitutes proper hours of work in any given situation must be determined fundamentally on the basis of three factors—the economic, the personal, and the social—with each given its appropriate relative importance.

The specific application of these basic considerations must be made with direct regard to the conditions of work for the operations performed, judged by their effect on both the physiological and psychological make-up of the worker.

What, from a psychological view-point may be a proper work-day in one industry, may be much too long in another industry. Also, hours of work that may be humanly possible from the physiological standpoint may constitute a social evil. Likewise, too short hours of work may not only cause economic waste, but also personal and social harm. While there is no set rule that can govern all situations, there are certain standards that can reasonably be set up, and minimum and maximum requirements that can be determined.

#### THE DIVISION OF THE WORKING PERIOD

The division of work into major periods takes the form of the working day, the working week, and the working

year. In addition, the working periods within each day must be considered.

Historically, the question of the working day and that of the working week have received most attention. One day's rest in 7, the 48-hour week, and the 8-hour day are the usual phases under which these problems have been attacked in recent years throughout industry in general.<sup>1</sup>

Sometimes claims for a shorter week than this have been advanced, and such working schedules adopted. Usually the claims of the workers have been for the shorter working periods, but in some instances, such as in the seasonal and intermittent work of the bituminous coal industry, demands for a very limited number of working hours per week in reality have represented a desire on labor's part for a better distribution of employment throughout the year than actually existed.

Until recently the American steel industry operated very largely on the 7-day week and the 12-hour day, with the recurring 24-hour shift on changing from night to day work or *vice versa*. Announcement was made in August, 1923, of the inauguration of the basic 8-hour day in the steel industry of the United States generally. Before the war the three-shift system in steel mills existed only in Great Britain. It has spread since the war to the continent of Europe, and in some plants in Canada, South Africa, and elsewhere. In 1923 the anthracite coal industry of the United States pledged abolition of the 12-hour day. It is estimated that more than half of the persons working in factories in this country are working 48 hours or less a week.

Such facts as these, representing various angles of the problem, illustrate the need for consideration of each situ-

<sup>1</sup>For discussion of earlier historic trend of hours of work, see *American Labor Legislation Review*, March, 1914, p. 109; September, 1923; Taylor Society, report of the annual meeting held jointly with sections of the American Society of Mechanical Engineers and the American Institute of Electrical Engineering, December 3, 1920; *U. S. Monthly Labor Review*, April, 1910, March, 1919, July, 1919, November, 1919, December, 1919, March, 1920, December, 1920, January, 1921, February, 1921 (consult index); *The Survey*, March 5, 1921.

ation according to its peculiar requirements, provided the basic considerations be kept constantly in mind.<sup>1</sup>

Whatever difference of opinion may exist regarding the desirability of a relatively longer period as compared with the shorter working period, its determination basically rests upon the same principles whether the period under consideration is the working day or the working week. The question of the working day and that of the working week are inseparably linked up with each other in consideration of the special administrative problems involved. This fact is particularly true of the continuous industries, such as in the making of iron and steel, where regular and continuous operation is necessary. These two factors must therefore be considered together. Sometimes, for example, it is desirable to set a maximum number of hours for the week with a flexible arrangement with regard to time worked within that period, so that work can be handled to the best advantage.

#### HOURS AND PRODUCTIVITY

Two theories are held regarding the relation of hours and productivity. The first is what may be called the *mechanical* theory, which holds that for a greater number of hours worked there is a greater increase in production. The other theory holds that there are physiological and psychological factors which, given fixed equipment and conditions of work, make it impossible to fix in any such definite way mathematical relations between hours and output. This is what may be called the *human*, as opposed to the *mechanical*, theory.

There are two sets of facts which determine this relation—those regarding the job and working conditions, and those regarding the worker himself. For the first, processes and equipment as well as environmental conditions of work must be considered.

<sup>1</sup>For discussion of hours of work in relation to the law generally, see Chapter X. See also "Women in Industry, and Child Labor," Chapter XXI.

Where output is governed chiefly by the speed and regularity of the machinery alone, productivity per individual tends to decrease in direct proportion to the reduction in hours. Where output is governed primarily by constant application of mental and physical alertness in the control of machinery, the relative decrease in output through reduced hours is correspondingly less. Where output depends chiefly upon the human element apart from machinery, such as in manual operations and those requiring great concentration whether or not machinery be used, not only is output often not decreased but it may sometimes be increased by shorter hours. The extent to which these principles apply is also conditioned upon the length of the work periods compared. These principles also apply in varying degrees according to the proportion in which the different types of work, mechanical and personal, exist in any given case.

Among the factors, other than personal traits, that go to determine the effect of hours of work upon the worker are intensity of effort, rapidity and monotony of the operation, noise, and the existence of poisonous or other enervating substances. These factors operate directly to cause fatigue and to lessen working power. Other conditions outside of the operation itself are ventilation, temperature, humidity, and lighting facilities.

Another factor is the arrangement of rest periods during the day's work. These may be so arranged as to prevent fatigue, or may come at such a time as to act merely as a restorative. To promote the greatest efficiency they should come at such periods as will prevent the oncoming of fatigue and keep the system of the worker built up to normal working capacity.

#### HOURS AND FATIGUE

The nature of the effect of fatigue upon efficiency is indicated in the daily, weekly, and yearly curves of efficiency.

These facts show a definite physiological basis for the phenomenon of fatigue that cannot be ignored in determining hours of work.<sup>1</sup>

A further cause of fatigue and of reduced efficiency not generally taken into consideration is the cumulative effect upon working capacity of the inability to give expression to the other fundamental instincts besides that of working. Hours of work carried to the point where the worker really has time for nothing but working, eating, and sleeping materially reduce his efficiency through the repression of other normal tendencies and desires. In this connection Dr. Webster says:<sup>2</sup>

Two facts remain, namely, that these instincts, or appetences, are primal tendencies, and that repression of them results in increased irritability, "balked disposition," and becomes a source of fatigue and thus of lessened efficiency. On the other hand, where the worker is permitted to exercise his natural instincts, especially of creative workmanship, and of exploration and invention, we see the human machine at its best, functioning with the minimum of strain, and therefore the minimum of overfatigue, and incidentally with increased happiness.

The relation of hours to productivity is therefore determined by numerous conditions, and no general ratio between them can be set up. It is apparent, however, that aside from environmental working conditions, the mechanical causes that tend to reduce output in direct proportion to reduction in hours may be more than offset, where the personal element enters largely into output, by the beneficial effects of a physiological and psychological nature that make for increased personal efficiency. The hourly output may, of course, increase while the total output decreases if the reduction in hours is material.

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<sup>1</sup>For general discussion of fatigue and other health conditions, see Chapter XVIII.

<sup>2</sup>See report of the United States Public Health Service, No. 106, Supra. George W. Webster, "Physiological Basis for the Shorter Working Day for Women," United States Department of Labor Bulletin, Women's Bureau, February, 1921, No. 14. See also Irving Fisher, "Health and War," *American Labor Legislation Review*, Vol. VIII, No. 1, March, 1918, pp. 9-17.



## THE LAW OF PERSONAL EFFICIENCY

There is a point in any given case at which the labor of the individual reaches its greatest efficiency. Human energy cannot be applied beyond this point without loss in productivity. This is the point of *marginal utility* for labor beyond which diminishing returns exist.

## HOURS AND COSTS

The relation of hours to cost of production is conditioned by the same factors that affect productivity. As such it can be determined only with regard to each specific case. In ascertaining these costs, productivity under longer hours of work must be balanced against possible increase in wage costs incurred under shorter hours through the necessary addition of more workers to maintain the operation schedule unless the increased personal efficiency of the workers through shorter hours is adequate to meet the needs. This extra wage cost is apt to be more noticeable in industries of continuous operation where three shifts daily instead of one must be maintained.

Reduction in hours, experience shows, however, may be effected with reduced costs. This is true for the introduction of an eight-hour day, as well as for reductions from the more extreme hours of work to a working day longer than eight hours. Such is true aside from any consideration of loss through accidents and ill health. The determining factor here centers around the relation of hours to productivity of the individual, as already noted. But even when increased costs of production are unavoidable, the higher selling price of the commodity may not be prohibitive.<sup>1</sup>

<sup>1</sup>For treatment of hours in relation to cost for the steel industry, see Horace B. Drury, "Three-Shift System of the Steel Industry," also quoted in *U. S. Monthly Labor Review*, January, 1921, p. 113. For discussion in relation to the paper and pulp industry, see Robert B. Wolf, Address before the Engineers' Club of Philadelphia, October 19, 1920, also reported in *U. S. Monthly Labor Review*, February, 1921, p. 87. Also see "The Five-Day Week in a Clothing Factory," in *Factory*, August 15, 1920. See also reports of the Federal Council of Churches on the steel industry.

In determining the factor of costs with regard to hours, the question of wages to the individual worker must be considered. The effect on wages depends upon methods of payment as well as rates of wages. If the total earnings of the worker are proper under longer hours of work, then reductions in hours should be made without reduction in total earnings, which fact by itself tends to increase labor cost. The relation between piece-rate and the time-rate methods of payment may be such that the former permits the worker on shorter hours more readily to maintain his earnings under proper safeguards without increased labor costs; but, on the other hand, conditions of work may be such that the time-rate as the basic method of payment may be necessary. The factors of productivity and the nature of the operation must also enter.

In discussing the practicability of the eight-hour shift and the benefits secured from it, J. F. Welborn, president of the Colorado Fuel and Iron Company, makes the following statement:

Recent careful analyses of operating results between various 12- and 8-hour work periods have been made and show these results to be even more satisfactory than we had realized before. The trend of production per man-hour, with unimportant exceptions, has been upward since the adoption of the 8-hour day; and in every department of our steel manufacturing operations, from blast furnace to the wire mill, our production per man-hour is now greater than it was when all of these activities were operating on the 12-hour shift. Comparing these results of the last few months with periods of similar production when basic rates were 10% lower than current rates and the working time 12 hours per day, we find that almost without exception our labor cost per ton is lower than in the earlier periods.

Furthermore, whenever the question of change made in the length of the working day has come up for discussion between officials and employees' representatives, satisfaction with the change has been expressed by the employees . . . .

A factor of added interest is the fact that, with almost capacity operations at our steel plant during the last few months and employing over 6,000 men, we have experienced no shortage of labor. Our operating officials have frequently expressed the belief

that this condition is due, in large part at least, to adoption of the 8-hour shift.<sup>1</sup>

These facts are sufficient to show that the *burden* is upon any given industry to determine, from the standpoint of material costs alone, what is its most efficient working period. A high order of management may enable reduced hours to be effective without loss. Management, since responsibility rests with it, should look to its own efficiency before permitting long hours of work.

But the relative costs for the plant itself cannot be determined on a material basis alone. A shorter working period, reduced to the proper point, makes for better working morale and better relations between management and workers. It therefore makes for increased stability of employment and industrial good-will over and above the more concrete matters of measured productivity and definitive costs.

#### HOURS AND UNEMPLOYMENT

To the extent that increased hours of work make for increased gross production they operate to increase the relative labor supply. They may thus be a positive factor in unemployment. This is especially true in periods of business depression when industry is not running at full capacity, but as noted in a previous discussion there is likewise a point at which reduced hours, making for restriction of output, may not make for greater employment but may actually restrict employment.

#### PERSONAL AND SOCIAL CONSIDERATIONS

The preceding discussion of hours of work relates particularly to the matter of productivity, costs, and other factors of a more strictly economic nature. But there are personal effects upon the individual worker and social conditions of far-reaching consequence.

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<sup>1</sup>*The American Labor Legislation Review*, September, 1923, p. 189.

Through excessive hours of work the worker may suffer increased liability to accident and ill health. There is a direct relation between hours of work and the accident rate. Overfatigue operates directly to increase accident.<sup>1</sup> Lessened physical resistance and increased susceptibility to illness are often results of long working hours. These effects may be only immediate and temporary, but too often they may result in decreased length of life or recurring periods of personal inefficiency.

Another phase to be considered here is the possibility of increased liability to accident to others than the worker himself. This is especially true for workers engaged on public carriers, where the safety of large numbers of people depends upon the proper performance of functions by one or a few workers. But this factor is also of great importance in the regular operations of every industry where groups of workers labor together under conditions of mutual danger, or come into proximity with other people.

In addition to the possible bad effects of a direct physical nature, excessive working hours deprive the individual of time for rest, recreation, education, and the reasonable pursuit of happiness. On the other hand, shorter hours enable profitable utilization of leisure. Hours of work have a general social bearing of the utmost consequence. After all, if the worker has the opportunity to contribute to the welfare of the society outside of the restricted channels of production itself, he must have sufficient leisure from his work-day life to develop himself and to give expression to his general capacities for sound citizenship.

From what has been said, it becomes apparent that the problem of hours of work is not merely an economic one, and that in the broader analysis its economic phases are often purely secondary. The real question is, "What is the proper working day for each industry or industrial unit from

<sup>1</sup>See U. S. Public Health Service, "Studies in Industrial Fatigue." *Supra*. D. S. Gates, "A Statistical Study of Accidents in the Cotton Mills, Print Works, and Worsted Mills of a Textile Company," *The Journal of Industrial Hygiene*, December, 1920.

a personal and social view-point?" This does not mean that the economic phase must not be properly cared for, but it rather means that these material requirements can, under the proper system of industrial management, be appropriately met and at the same time permit the more vital phases of individual happiness and social progress to be promoted.

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LABOR RELATIONS IN INDUSTRY

PART V

HEALTH CONSERVATION



## XVIII

### HEALTH AND SAFETY

Objectives of health conservation in industry. Advantages to employers and employees. Mortality and morbidity statistics. The problem of longevity. Relation of fatigue to health and efficiency. General factors affecting the health of the worker. Relation of body and mind. Cooperation of the worker. Administration of health matters. Safety work a matter of health conservation. Extent and cost of industrial accidents. Causes of accidents. The fundamental problem in safety work. Administration of safety work. Accident statistics. Legal requirements. Community and state cooperation.

#### A. HEALTH

HEALTH conservation in industry has five general objectives:

1. To increase the efficiency of the worker and promote production;
2. To lengthen the period of productivity of the worker;
3. To increase his capacity to enjoy life;
4. To lengthen life;
5. To promote social welfare.

In its broadest sense, health conservation in industry thus comprises all phases of the physical well-being of the worker, with their related mental aspects. It ranges from matters of physical diseases or weaknesses, personal hygiene, and bodily accident to prevention of mental fatigue and promotion of mental hygiene.

It cannot be considered apart, however, from the general health habits and conditions of living of the worker outside of industry proper. In attaining the first two objectives, it relates particularly to the worker at his work and directly affects the employer-employee relationships. In reaching

the third and fourth objectives, it concerns itself primarily with relations outside of industry proper, but at the same time it may either directly or indirectly affect the worker at his work. In striving for the last objective, it emphasizes the social view-point, but in so doing it concerns itself with many of the problems involved in the others. In fact, these several purposes or objectives are largely a matter of view-point, all dealing essentially with the same problems.

#### ADVANTAGES TO EMPLOYER AND EMPLOYEE

The thoughtful employer recognizes that the output of his plant, aside from such general matters as finance and markets, is not determined alone by the type of building which houses his business, nor by the amount and grade of machinery with which the plant is equipped, nor by the grade of raw materials used, nor yet by the processes of production that may be employed. He knows that all of these important elements of production are in the last analysis controlled by the human factor—the men who operate the plant. He knows that health conservation is one of the basic factors determining whether there shall be an adequate force of capable and contented workers in his plant. Benefits also accrue to the worker in modern industry from the proper administration of health matters.

The particular advantages to both employer and employee may be briefly given as follows:

##### 1. *The Employer's Advantages:*

(a) The selection, placement, and follow-up of employees according to the findings of a reliable physician acting in cooperation with the worker helps the employer to reduce the number of accidents, which often are due to improper placing of employees.

(b) Adequate health conservation reduces the time lost from work through accident and sickness, and consequent bad effects upon other members of the working group.

(c) It increases production by providing a working force that is generally physically fit and capable.

(d) It reduces cost generally in that the money cost necessary to maintain an adequate system of health conservation is less, through reduction of accidents and sickness and increase in efficiency, than not to maintain one.

(e) It makes for better working morale generally.

## 2. *The Worker's Advantages:*

(a) The worker is given work for which he is physically fitted and is thus protected from the possibility of immediate harm through physical inaptitude. A worker who has a weak heart or who is subject to spells of dizziness or excessive nervousness should not be placed on scaffolds or other high and unprotected places. By being selected for work for which he is physically fit individually, he is given a position that will *not undermine his health*, and his attention also is early directed to any physical defect which would later tend to impair his ability to work profitably, thus giving him the opportunity to recuperate his health, if it has been impaired previous to the time when he enters a given employment. A man with weak lungs should not do dusty work and a man who works in a strong glare or before furnaces should have eyes that are able to withstand the heat and excessive light.

(b) His health is protected by reason that he is also protected from exposure to fellow workers who are suffering from, or are carriers of, communicable disease.

(c) Through his own protection from communicable disease his family is protected.

(d) His own protection from accident as well as that of his coworkers is greatly increased. The eyesight and heart of a worker operating a crane should be carefully tested because of the possible peril to other men in this work as well as to himself.



(e) His earning power is increased because he is given work for which he is particularly adapted, and he is protected from actual loss of time from work.

(f) Through maintenance of health, protection from accidents, and protection of his family from communicable disease he is enabled to increase his savings.

(g) He is able to secure greater enjoyment from work.

Many establishments in which the owners have recognized that they owe these considerations to their employees as well as to themselves have made use of physical examinations and a thorough follow-up system for a number of years.

The enactment of workmen's compensation laws in many of the states in recent years has aroused many employers to the need for adopting the physical examination as a factor in the selection, placement, and follow-up of their workers as a means of mutual protection.

In an address on industrial health, Samuel Gompers, the late president of the American Federation of Labor, said, "To those of you responsible for administration of practical industrial medicine, it is not necessary to emphasize the value of this sort of organized agency for cooperation in the promotion of hygienic practices. Science and skill are handicapped without the full cooperation of those to be benefited. Workmen want to avoid disease and accident, but they want most of all to avoid loss of self-esteem and independence."<sup>1</sup>

<sup>1</sup>New York Times, April 5, 1924.

Attention may also be called to the following quotation from the Committee on Welfare Work, of the Committee on Labor (Samuel Gompers, chairman) of the Advisory Commission of the Council of National Defense, which was prompted to action in this regard by the need for greater consideration of the health of workers to maintain maximum production on war work:

It is the sense of this conference that the physical examination of workers is primarily a measure of health conservation and also essential to maximum production—a war necessity.

That the purpose of a medical examination is not to eliminate the worker from industrial service, but to adapt him to the work for which he is physically fitted.

Therefore be it resolved, in view of the publicly announced policy of the government centralizing the recruiting of labor in the United States Employment Service, that this

## MORTALITY AND MORBIDITY STATISTICS

The significance of the health problem in industry is indicated in the general conditions of mortality and morbidity in the population of a community at large. "It is notable," says Dr. Fisk, "that the death-rate from organic diseases is greater in this country than in England and Wales and that death in middle age is now likewise greater, although not formerly so." Again, the same authority says that "during the period of active, vigorous, industrial life, ages 20 to 40, the death-rate rises in the United States 166%."<sup>1</sup>

Likewise, figures on sickness alone show the seriousness of the problem. Conservative estimates of authorities show that sickness causes an average annual loss to wage-earners of from six to nine days, which, if considered in light of the great number who work when they really are not physically able to, gives a picture of the serious loss suffered by the individuals whose illness is considered in these figures. Further light is thrown on the character of the problem by the statement of the preceding authority that the lessening of the general death-rate may be due "rather to a mitigation of the struggle for existence and a protection of the community from communicable disease than an actual upbuilding of the physique and underlying resistance of the people." The economic loss arising from sickness, while probably greater than that arising from accidents, is often not fully appreciated because it is more intangible in nature.

## THE PROBLEM OF LONGEVITY

These facts raise the question as to whether the proper

conference recommend that the medical examination of the workers be one of the functions of the government labor recruiting agency.

It further recommends the establishment of a central examination board, composed of representatives of the workers, employers, and the government.

That this board issue examination cards indicating the health of the workers and classify according to physical fitness.

Such a system of centralizing physical examination of workers does not prevent employers from maintaining their own system of physical examinations and follow-up methods for the purpose of conserving the health of their workers.

<sup>1</sup>Fisk, Eugene Lyman, "Health of Industrial Workers," chap. xv, *Waste in Industry*, 1921, pp. 346-348, with references.

recognition of health matters by the population in general, and by industry in particular, can be made to increase the length of life. That conditions of modern industry have tended to shorten both the productivity span and actual life span of the individual is reasonably certain. To what extent this has occurred indirectly in industry because of lack of proper health habits of its workers and to just what extent it has been caused directly by the nature of the industrial processes and conditions of work themselves, is a matter on which adequate figures have not yet been secured. Investigations made thus far go to show that industry, exclusive of such malignant conditions as cause occupational diseases, has in many ways directly injured the health of its workers. To exactly what extent proper health conditions in industry will tend to increase the length of life may be debatable. That the goal is worth striving for, aside from strictly economic consideration, cannot be questioned.

*Fatigue.* In addition to the effects of illness and to death, the factor of fatigue enters into the efficiency and health of the worker.<sup>1</sup> The most serious effects of fatigue are on the central nervous system. Labor in the skilled trades and occupations, therefore, demands much more careful attention in relation to fatigue than does unskilled labor. Fatigue may affect the muscular system directly, or it may affect both the central nervous system and muscular system together. Thus some trades and occupations are doubly liable to induce ill effects from prolonged or intense work.

Fatigue, it should be noted, may be induced by internal conditions either physical or psychological, or it may be caused by outside mechanical factors such as vibration and noise, or by personal habits or practice in sitting and standing, and the like. It may in turn cause a predisposition of the organism towards illness.<sup>2</sup>

*Factors Affecting the Health of the Worker.* There are

<sup>1</sup>For general discussion of working periods, see Chapter XVII. See also Sydenstricker, American Statistical Association Bulletin, March, 1921, p. 584.

<sup>2</sup>Cf. *Waste in Industry*, pp. 364 ff.

in general four types of conditions that affect the health of the worker:

1. Those relating to one's person, such as infections and diseases; weaknesses that are likely to result in illness or injury; and matters of personal hygiene.<sup>1</sup>

2. Conditions pertaining to the job itself, such as nature of the task performed over periods of time, and the like. In this connection adequate protection against occupational diseases needs to be considered.

3. The work environment or physical conditions of work, such as lighting, heating, ventilation, humidity, noise and vibration, sanitation, and liability to accident arising from environmental conditions, and the like. Closely related to these are such matters as proper food and water and facilities for rest and recreation.

4. Home conditions, such as sleeping accommodations, food, outside recreation, and general life habits.

*Relation of Body and Mind.* Modern science has come to realize the close relation between body and mind and that either is capable under given conditions of affecting the other. Health conservation must do more than consider merely the problems of physical health—it must also take into account the psychological conditions pertaining to any individual or group. Fatigue or actual illness may result not only from conditions of work or physical weakness, but also from emotions, worry, or other mental conditions.

*Cooperation of the Worker.* The success of any program for health conservation within industry obviously depends

<sup>1</sup>"Physical qualifications established by law are of four kinds: (1) reasonable immunity from the trade malady characteristic of the employment, (2) freedom from a trade malady contracted in the course of employment, (3) freedom from a contagious disease which might be passed on to other workmen or to consumers of the product, and (4) freedom from physical defects of such nature as to interfere with the proper performance of duty. It will be noted that the first two qualifications look toward the health of the workman himself, and that the last two look mainly toward the health and safety of other persons." *Principles of Labor Legislation*, Commons and Andrews, p. 349.

to a large degree upon the cooperation of the worker with the health officials, and an active desire of the worker to secure beneficial results. This requires, first of all, cooperation between all parties concerned, with recognition of their personal rights and privileges. It also requires active measures be properly conducted for health education among workers. Great numbers of workers are absolutely ignorant of proper methods of maintaining health and promoting personal hygiene. It is reasonable to expect that with adequate information on these subjects and proper administration on the part of management they would be willing to cooperate in such a program.

*Administration.* The foregoing discussion points to the need for certain very definite steps to be taken by each administrative unit on health matters.<sup>1</sup>

1. A physical examination of all applicants before they are employed, and regular, periodical examination of all employees, these examinations to be adapted to the requirements of the particular work involved.

2. Medical attention for employees requiring it.

3. Elimination of health hazards from the plants in so far as possible.

4. Proper transfer of workers for reasons of health.

5. Health education for workers.

6. Cooperation of all interests involved, including medical staff, workers' committee, insurance groups, and outside private and public health agencies.

This discussion assumes adequate personnel and equipment for conducting health work. Another important principle, however, needs to be recognized. Whether or not the formal organization of the health work places it as a part of the department of labor relations or as a separate department, both the labor manager and the industrial physician need to recognize that their functions and duties are mutual

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<sup>1</sup>For discussion of safety matters, see pages 349 ff.



and not exclusive. Each has his appropriate part to play in securing and maintaining a capable and contented work force, and in so doing their ultimate aims are the same and must be worked out together. There is a point, of course, up to which the industrial physician needs to maintain the professional privacy of his calling, but beyond that his individual efforts will become thwarted unless they are coordinated with those of the labor manager. Likewise, the work of the industrial physician must not conflict with that of the personal or family physician. Industry has an obligation to meet with regard to the health of its workers, but it must act with due regard for the rights and duties of the worker as an individual outside of the industry. In this, it must recognize the proper function of other agencies and activities in society.

*Cooperation with Public Health Agencies.* This fact lays the foundation for the necessity for cooperation between health activities on the part of industry and the community at large, through its various agencies for the promotion of public health. Such cooperation intelligently carried on will make for increased efficiency and reduced costs in health work, as well as for the promotion of good-will among all concerned.<sup>1</sup>

## B. SAFETY

### SAFETY WORK A MATTER OF HEALTH CONSERVATION

From the standpoint of the effect upon the worker and industry, safety work, or accident prevention and care of the injured, is a phase of general health conservation. It has the same general objectives and advantages to employer

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<sup>1</sup>A general outline of a suggested form that federal, state, community, and industrial agencies might take in the administration of health matters, together with the place of extra governmental and private agencies, is given in *Waste in Industry*, pp. 370 ff, to which reference is made. See also discussion of "Health Insurance," Chapter XX, following.

and worker as health activities. In its administration, however, safety work requires special consideration, and is in part an engineering problem. Thus poor lighting and ventilation and bad sanitary conditions are health hazards, but their remedy is essentially a matter of engineering technique. On the other hand, the occurrence of accidents or the fear of accidents may be more serious in any single instance than conditions of bad health, because of the more obvious causes and effects of accidents and the consequent breaking down of working morale.

#### EXTENT AND COSTS OF INDUSTRIAL ACCIDENTS

Accidents have been a major source of industrial waste. Even with the application of modern safety methods in production, enormous loss still results. The extent of this loss in bodily injury to the worker is indicated in the following table, which also gives an estimate of wage loss:<sup>1</sup>

TABLE 2  
EXTENT AND COSTS OF INDUSTRIAL ACCIDENTS IN THE  
UNITED STATES—1922

Type of Injury	No. of Accidents	Working Days Lost	Wage Loss \$4.50 per Day
Death.....	21,232	127,392,000	\$573,264,800
Permanent total disability.....	1,728	10,368,000	46,656,000
Permanent partial disability.....	105,629	51,494,357	231,724,607
Temporary total disability*.....	2,324,829	37,915,613	170,620,259
Total.....	2,453,418	227,169,970	\$1,022,264,866

\*Accidents resulting in loss of time other than the day on which accident occurred.

See also statement by Charles H. Verrill reported in the *American Labor Legislation Review*, March, 1922, p. 13, which varies somewhat from the above statement but in substance corroborates it.

For the year 1923 the National Safety Council estimated a substantial increase in the number of industrial accidents and the time lost from them in the United States. Of the estimated total of 3,000,000 accidents for the year, 23,000

<sup>1</sup>See Carl Hookstadt, *U. S. Monthly Labor Review*, November, 1923, p. 1.

were fatal and 115,000 resulted in permanent disability. Over a billion dollars is estimated as the total cost of these accidents of all types for the year.<sup>1</sup> Figures for 1924 indicate an increase in the percentage of industrial fatalities in the United States.

The full extent of accidents must be computed on the basis of their severity rather than their frequency. Some industries have found that, whereas their accident rate based on frequency has been low, the loss through the severity of the injuries suffered has been much greater than the loss in industries that have a higher frequency rate.

The direct money cost to industry is to be found in the payments by employers in the form of workmen's compensation insurance or direct payments to employees who have suffered injury. On the other hand, the indirect cost of accidents, through indirect stoppage or interference with work or reduced working morale, already suggested, are not as readily susceptible to actual cost accounting, and as yet adequate figures in this field are not available. That the lessening of morale, however, may be as freely contributory to the causes of industrial inefficiency as is mental or physical fatigue, is highly probable.

*The Causes of Accidents.* In general, the causes of industrial accidents may be placed in two groups, those of an engineering or mechanical nature and those of a personal nature.

The former have to do with matters pertaining to the nature of the job or environmental conditions such as plant arrangement and order, general equipment and machinery, work processes, lighting, ventilation, clothing, drainage, exhaust systems, and the like.

The latter may be divided into physiological and psychological causes and technical qualifications for the work. They have to do with such matters as health and physical aptitude of the worker, fatigue, worry, temperament in re-

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<sup>1</sup>See the *National Safety News*, April, 1924. Also see *American Labor Legislation Review*, June, 1924, p. 180.

lation to the work, and personal caution. Unfavorable physiological or psychological conditions of the work may, of course, be induced by bad working processes, bad hours of work or environmental conditions.

The reports of plant safety committees, on 1,642 accidents to employees of a large steel company, yield the following information as to how these accidents could have been prevented:

TABLE 3  
NUMBER OF ACCIDENTS IN A LARGE STEEL COMPANY  
AND HOW THEY COULD HAVE BEEN PREVENTED

Nature of Cause	NUMBER OF CASES				PERCENTAGE DISTRIBUTION			
	Six Weeks or Under	Over Six Weeks	Death or Major Mutilation	Total	Six Weeks or Under	Over Six Weeks	Death or Major Mutilation	Total
Preventable by engineering revision.....	56	16	39	111	4	10	57	7
Preventable by care of worker..	973	100	10	1,083	69	60	15	66
Trade risk.....	381	48	19	448	27	30	28	27
Total.....	1,410	164	68	1,642	100	100	100	100

The striking feature of this table is the small percentage of minor accidents and the large percentage of deaths and other serious accidents, preventable by "engineering revision"—by which is meant machine guarding, plant arrangement, and physical conditions generally, as contrasted with personal caution.<sup>1</sup>

A fact sometimes not recognized in regard to the technical qualifications of the worker is the particular task to be performed. Chief recognition has come thus far in types of work involving public safety, as in the railroad occupations. It is just as important, however, that proper attention be given to this factor, through careful selection and placement, where the liability affects only the individual worker or his immediate group of coworkers.<sup>2</sup>

<sup>1</sup>National Safety Council Bulletin, March 17, 1919. Seventy-three per cent of industrial accidents are preventable, according to the council.

<sup>2</sup>See also Commons and Andrews, *Principles of Labor Legislation*, p. 352.

*The Fundamental Problem of Safety Work.* The fundamental problem of safety work is first of all to prevent accidents. But when they do occur the medical and surgical department or a properly qualified person should give adequate and quick relief to the injured and prevent further complications arising from the injury.

The first problem, that of prevention of accidents, is threefold in nature, involving the factors of plant engineering, selection and placement of the worker, and education on safety matters.

The second problem, that of care of the injured, is essentially medical; it is in some cases surgical in nature. In its immediate form it comprises first-aid and hospital facilities. It also involves, however, matters of general judgment as to when the workers can safely return to work, the type of work each performs, and industrial rehabilitation.

*Administration of Safety Work.* In its preventive and general aspects, safety work requires a specially trained personnel, involving both an engineering and technical knowledge and administrative ability. Likewise, in the care of the injured the first-aid hospital work requires professionally trained people to handle it. It may also be emphasized that in addition to these qualifications those who handle safety work must, from its very nature, be able to cooperate with both management and workers in order to secure successful results.

Safety work requires careful organization and planning. It must have the active interest and support of the entire plant organization—workers, foremen, and department heads, and general executive officers. The general executive officers are responsible for policies and general morale and financial support of the work; with them, and acting as the specialist on safety matters, is the safety engineer and his group of assistants. The foremen and department heads are immediately responsible for safety work in their individual departments, and the worker must have knowl-



edge of what constitutes good safety procedure, must exercise due care in following it, and should be active in making suggestions for improvement.

The more important details of plant safety organization are suggested in the following plan:<sup>1</sup>

#### DETAIL OF PLANT SAFETY ORGANIZATION

##### 1. *Organization:*

- (a) Central safety committee
- (b) Departmental safety committees
- (c) Safety engineer (and assistants where necessary)

##### 2. *Personnel Central Safety Committee:*

- (a) Chairman—general officer of plant, or assistant
- (b) Secretary—safety engineer
- (c) Committeemen—three to seven department heads

##### 3. *Personnel Departmental Safety Committee:*

- (a) Chairman—shop or department head
- (b) Secretary—safety engineer
- (c) Committeemen—three to five workmen

##### 4. *Membership of Safety Committees:*

- (a) The central safety committee should be chosen from department heads or superintendents, by the chairman . . . . The membership for the committee should be carefully chosen and should be permanent.
- (b) The departmental safety committee should be chosen by the chairman (shop or department head) in consultation with the local safety engineer. The membership of this committee should represent, in so far as practicable, the various occupations. The chairman should be permanent, but rotation of membership of the remainder of the committee is recommended, the service covering a maximum period of three months.

#### DUTIES OF SAFETY COMMITTEES AND SAFETY ENGINEER

##### 5. *Central Safety Committee:*

- (a) To this committee should be submitted for consideration and approval all safety matters of importance.

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<sup>1</sup>Schultz, H. A., issued by the Industrial Relations Division, U. S. Shipping Board Emergency Fleet Corporation.

(b) They should meet semimonthly, or oftener if necessary, pass upon important recommendations made by safety engineers, departmental safety committees or others, and consider all new safety devices for adoption and standardization.

(c) Make frequent inspections of the premises and render a report, covering their recommendations, in the regular manner.

6. *Departmental Safety Committees:*

(a) It is the chief duty of these committees to make safer and better working conditions for the employees in their department.

(b) They should make a study of the general conditions, practices, and hazards in their department, and endeavor to encourage the cooperation of other workmen in reporting promptly for correction any existing unsafe practices or hazards through which personal injury may result.

(c) These committees should meet at least monthly with their chairman for the purpose of making a formal inspection of the department, review accidents, suggest remedies, and render a full report of the meeting with their recommendations to the chairman of the central safety committee.

7. *Local Safety Engineer:*

(a) General supervision of all safety work.

(b) Make regular safety inspections of all departments to eliminate accident hazards and dangerous practices.

(c) Expedite the work and see that recommendations are carried out promptly.

(d) Investigate serious accidents and make, subsequently, recommendations to prevent possible recurrence of similar accidents.

(e) Study accidents and prepare proper statistical data to remove the cause of such accidents.

(f) Keep complete record of statistics of accidents.

(g) Check drawings and cooperate with construction engineer so that approved standards of design for safety may be incorporated in all new work.

(h) See that proper safety specifications accompany or are incorporated in all specifications or orders for new equipment. (If there are no standard or approved safety speci-

- fications for any particular piece of machinery, special specifications should be drawn up.)
- (i) Follow up machinery contracted for in outside shops or under construction in the plant, to see that all items as called for in safety specifications are included during construction and installed with the equipment.
  - (j) Supervise and conduct safety educational work.
  - (k) Prepare necessary "danger" signs and see that they are posted.
  - (l) Attend all meetings of safety committee, acting in an advisory capacity, and as secretary of the committee, prepare proper reports.

*Education in Safety.* Aside from the engineering technique involved in safety work, various educational methods must be employed in order to promote the safety program advantageously. All employees in a plant need to be educated in the principles of accident prevention. Not only should the plant officials realize the importance of prevention themselves, but they need to cooperate with the workers in getting all employees to recognize it.

Methods found valuable include meetings of the general plant officer with the department heads at regular periods, usually once a month, to go over all matters pertaining to accidents that have occurred and for future prevention.

Likewise, the department heads should have regular meetings with the workers of their respective departments to review regulations, to keep them informed on appropriate matters, and to enlist their active cooperation. Valuable suggestions for avoiding accidents are developed in this way. Suggestions of merit should be acted upon promptly, and when suggestions are not adopted the reason therefor should be explained to the worker concerned in order to retain his interest.

The plant paper, bulletin-boards, special posters, and inserts in the pay-envelope or notices on it, are valuable channels for securing the attention of the workers.

Safety instruction should be a part of any course of training or apprenticeship given the workers generally.

A feature in safety work that should receive emphasis is the desirability of introducing the new employee immediately into the appropriate phases of safety procedure. This can begin with the more general aspects of the program even before he reports for work, through safety posters and the like, and proceed from that to special matters pertaining to the individual job and the permanent safety program. Sometimes handbooks, with particular emphasis on plant conditions, placed in the hands of the worker when he is employed, can be used to advantage.

A fundamental phase of safety work is the necessity of the worker being able to understand and read the language officially used. Many accidents occur because of the inability of the worker to understand the actual words of an order or notice or to appreciate the real spirit back of safety work because of lack of familiarity with the language used.

*Accident Records and Statistics.* The success of a safety program depends to a great degree upon the adequacy of the records used and the interpretation of the statistics available from these records. In general, for each individual accident the records should include a foreman's report of the accident, the physician's or surgeon's report of the injury, complete hospital record of the injury, hospital records for the injured workmen—each case setting forth the essential details. These records should include a complete history of each case, from the type of work being performed, nature and cause of the accident, date and time of day, methods of work and payment, and the like, to general facts pertaining to the injured person, language spoken, medical and surgical attention, cumulative statements of the condition of the injured, and final disposition of the case, including accident compensation. Possible lack of agreement between the injured and his foremen as to the causes of the accident should be noted.

In addition to the reports on individual cases, there

should be general reports and statistics designed for use in the general control of the safety program. Where possible, such facts as the frequency and severity of the accidents, time loss and money loss, distribution of the wage and fees of the injured, language spoken, exact time of accident, nature of the work, methods of payment, permanent effect upon the injured, and the like, should be included. The statistics on such factors as these should be compiled and kept in such a form as to make the data on accidents comparable with figures on other phases of labor control and labor loss.

*Legal Requirements.* The legal requirements that any safety program must consider are twofold: (1) the engineering requirements affecting the mechanical and environmental features of accident prevention, and (2) compliance with the provisions of the law as to accident reporting to public authorities and on workmen's compensation insurance. The exact procedure in these matters, of course, primarily depends upon the nature of the law in each jurisdiction.

*Community and State Cooperation.* Aside from the safety programs within particular plants, cooperation between industry proper and the community, and state promotion of accident prevention are necessary to the general success of safety work. In fact, such cooperation and promotion may at times have a greater influence than the efforts within the individual plant in that it helps to develop a favorable attitude generally both at and away from work. After all, the matter of personal caution and often proper safety engineering rests upon *habits of thinking*, and the importance of the frame of mind toward such matters inside of industry cannot be easily overestimated.

Among the types of public activities that may be employed are inspirational and informational rallies for workers and for foremen and executives; general schools for safety supervisors; public investigation of serious or



unusual industrial accidents in cooperation with industry, all of which relate particularly to industrial safety; and the promotion of public safety in general. A most important feature is the necessity for reasonable standardization of safety engineering requirements in such matters as machine guards, and hoisting signals, general equipment, and the like, to avoid conflict and confusion for the worker who changes his place of work.

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## XIX

### INDUSTRIAL REHABILITATION

Extent of the problem of industrial rehabilitation. Obligation of industry in caring for its physically handicapped workers. The importance of normal pursuits for the physically handicapped. General requirements on placement. Personal analysis in rehabilitation. Occupational analysis. Training of the handicapped. Federal and state aid in industrial rehabilitation. Public attitude toward the handicapped.

As noted in a previous chapter, conservative figures show approximately three million accidents in the United States every year. Aside from the deaths amounting to over 23,000 a year, there are over 100,000 accidents causing permanent partial disabilities, nearly 2,000 involving permanent total disabilities, and over 2,000,000 involving temporary total disabilities. The problem of industrial readjustment presented by the unfortunate industrial soldier who has suffered injury is therefore significant in numbers as well as in kind.

The physically handicapped worker requires careful consideration on the part of the management in every industry in order that he may secure a place in productive work that will be to the mutual advantage of himself and of his employer. The worker in industry who, in the performance of his duties, has received injuries which require his readjustment in employment, should have the opportunity to maintain himself in economic well-being. The problem affecting him is thus an economic as well as a social one.

The experience of employers who have given careful consideration to the placement of workers who have suffered physical impairments shows that the physically handicapped worker not only can perform efficient service in industry, when properly placed, but that he is often a more

stable and painstaking producer than the non-handicapped.

Every industry should provide for its physically handicapped, so far as humanly possible, the opportunity to follow a normal pursuit under normal surroundings along with their fellow workers. This is probably the most important fact to be borne in mind in the whole program of the training and placement of handicapped persons. Segregation of the handicapped worker into special groups apart from workers in normal pursuits tends to bring about the feeling on his part that he is an undesirable, that he is not normal, and that he is to a greater or less extent a cast-off apart from those with whom he would be associated under normal conditions. These conditions lower his confidence in and respect for himself, and give the effect of patronizing, under which conditions no one can give his best efforts.

Each industry should, if possible, provide proper placement for workers handicapped in it and in this way capitalize to the fullest extent upon the worker's previous experience and give him employment under conditions that will make him most productive. Also the industry itself may receive distinct advantages in the form of production as well as in the promotion of good-will and relief from undue fear of "industrial death" among its workers.

But it should be clearly recognized that any program for helping the handicapped worker and for maintaining the productive effort of the industry in which he works cannot be successful if founded upon a paternalistic basis.

#### GENERAL REQUIREMENTS ON PLACEMENT<sup>1</sup>

It is not possible to suggest a fixed rule for the employment of the physically handicapped, but it is possible to exercise more careful consideration of the handicapped worker directed to the purpose of better adapting him to his

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<sup>1</sup>The author is indebted for portions of this discussion to Willard J. Lantz as associate editor of a bulletin of the U. S. Shipping Board Emergency Fleet Corporation, 1918.

work. This involves proper analysis of his capacities and needs as well as the requirements and opportunities of the various types of work which he might follow. Such an analysis is of value not only to the employer in giving proper consideration to those who have suffered physical impairment, but also to the handicapped themselves in determining what lines of work they may be best fitted for.

While, however, there are fundamental principles that need to be kept in mind at all times, it should be clearly recognized that each individual is a special case and presents problems that have to be considered in a way which will meet the peculiar requirements of the particular situation at hand. In the very nature of things a handicap that would be very considerable to one person might be rather negligible to another person. This question involves a number of factors of which account should be taken.

#### PERSONAL ANALYSIS

From the standpoint of personal analysis in considering a handicapped worker for placement, proper evaluation must be given to his general qualifications, the nature of his handicap, his physical condition in other respects, whether or not he has learned a trade and is skilled in it, whether any exceptional skill that he may possess in his trade overcomes the handicap, and whether or not he is capable of learning the trade.

Furthermore, the attitude of the worker toward the work in question and the effect of the handicap on his interests must be considered. Taking the initiative and showing the worker that his difficulties are not insurmountable is sometimes necessary. His interest and attitude will have a vital bearing upon his success in any given line of work.

It has already been noted that, whenever possible, the worker's previous experience should be capitalized. If, everything considered, it is possible to do so, he should be placed in some line of work which he has previously fol-

lowed, or a similar line. In any event, the worker's previous experience should not be scrapped in fitting him for work under his new conditions.

It is necessary, moreover, not only to consider the worker's physical and mental fitness for the given type of work, but also what effect his handicap may have upon the hazard to himself and his fellow workers if he is placed in that work.

Account must also be taken of possible disabilities other than the major one, and if they exist, of the combined effect of these disabilities on the worker's attempt to do a given piece of work.

#### OCCUPATIONAL ANALYSIS

From the standpoint of occupational analysis, such factors as the following must be considered:

1. The fitness of the occupation from the standpoint of the physical handicap of the worker;
2. The opportunities for employment, especially that the demand for operatives be increasing rather than decreasing and that the trades be not seasonal;
3. That wage standards be satisfactory;
4. That the period of time for training be not prohibitive.

Care also should be taken to guard against placement of the handicapped worker in a "blind alley" job. It is very discouraging to him to see his fellow workmen forge ahead, while he remains in the same position.

The occupational analysis requires careful and detailed consideration. The loss of an eye, for example, is not necessarily cause for exclusion in any trade except those which require especially keen sight, or those where there is considerable danger to the eyes and where the risk of the worker suffering total sight disability as a result of having



his one sound eye injured is too great. Again, the worker's hearing should be unimpaired in jobs where the working conditions have considerable danger attached to them. This is especially necessary so that he will hear a warning shouted to him, for instance, to keep off a loose scaffolding, or to get out from under a load being lowered by an overhead crane, or to keep away from a live wire, and the like. As a general rule, however, deafness in one ear should not disqualify the worker from many types of employment.

Placement of the tuberculous worker involves a number of factors that should be carefully considered in order to enable him to produce efficiently and to overcome his handicap. Such workers should not be assigned to employment requiring great physical effort; they should not be utilized for night-work; nor should they be assigned to work which will bring them in contact with extremely high temperatures, dusts, poisons, and gases. Work in overcrowded shops is also undesirable.

#### TRAINING OF THE HANDICAPPED

The training of the physically handicapped presents special problems in addition to the usual requirements of vocational training, in that the particular needs of the worker in light of his handicap must be met. After the personal and occupational analyses, the training must be specialized and adapted to the needs of the individual in fitting him for the chosen occupation.<sup>1</sup>

#### FEDERAL AND STATE AID IN INDUSTRIAL REHABILITATION

The importance of the problem of industrial rehabilitation received federal recognition in this country in the Industrial Rehabilitation Act of June 2, 1920, which provided for the promotion of vocational rehabilitation of per-

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<sup>1</sup>The technical questions of a physical and medical nature pertaining to the physical rehabilitation, general, functional, reeducation, and mental readjustment, are not treated here as they are without the scope of this discussion.

sons disabled in industry or otherwise and for their return to civil employment, and which sets forth a plan of cooperation between the Federal Government and the states in the administration of the general plan therein provided for.

Under this act the Federal Government does not propose to undertake the organization and immediate direction of vocational rehabilitation in the states, but does agree to make substantial financial contributions to its support. It undertakes to pay over to the states annually certain sums of money, and to cooperate in fostering vocational rehabilitation. The grants of federal moneys are conditional and the acceptance of these grants imposes upon the states specific obligations to expend the money paid over to them in accordance with the provisions of the act.

This cooperation of the states with the Federal Government is based upon four fundamental ideas: First, that vocational rehabilitation for persons disabled in industry or otherwise being essential to the national welfare, it is a function of the National Government to encourage the states to undertake this new and needed form of service; second, that federal funds are necessary in order to equalize the burden of carrying on the work among the states; third, that since the Federal Government is vitally interested in the success of industrial rehabilitation it should participate in this work; and, fourth, that by creating such a relationship between the national and state governments proper standards of efficiency in vocational rehabilitation can best be set up . . . .

The guiding principle of the Industrial Rehabilitation Act is that the training to be furnished must be under the supervision and control of the state board for vocational education, and must be designed to train disabled persons for useful employment. The state board is, however, under obligation to work in cooperation with the state workmen's compensation or similar board, whenever such a board exists in a state.<sup>1</sup>

The Federal Government in cooperating with and helping to support the various states in the rehabilitation of injured workers thus recognizes the jurisdictions of the individual states and at the same time promotes activities of the various state workmen's compensation boards. Most

<sup>1</sup>From *Industrial Rehabilitation: A Statement of Policies to Be Observed in the Administration of the Industrial Rehabilitation Act*, Federal Board for Vocational Education Bulletin, September, 1920, pp. 7-9, No. 57.

For complete text of the Industrial Rehabilitation Law, see *ibid.*, p. 43.

of the states have taken appropriate legislative means to cooperate with the Federal Government in this regard. Various states, acting of themselves, have from time to time enacted laws to aid in the rehabilitation of the injured workers.<sup>1</sup> Thirty-eight states have enacted legislation accepting the provisions of the federal act for the vocational rehabilitation of industrial cripples.<sup>2</sup>

#### PUBLIC ATTITUDE TOWARD THE HANDICAPPED

The attitude of the public toward the handicapped person is probably the biggest difficulty that he has to meet. The Red Cross Institute for crippled and disabled men significantly states in this regard:

Up to the present time, the attitude of the public toward the cripple has been singularly pernicious, and of decided hindrance rather than help in his efforts to make good. The people have been ready—all too ready—with sympathy proceeding from the heart but not from the head. There have been alms in plenty for the cripple on the street and public asylums open to shelter him. But there has been no assistance of a constructive nature. The hospitals in which he was treated turned him out before he was in shape to face life again; there have been no schools in which he could be trained for a trade possible to his capacities. Even for those in position to do work of a certain character, there have been no special placement agencies to seek out for him the suitable job.

Employers have considered the cripple helpless and have denied him opportunity of trial at any job worth while. A position as watchman or doorkeeper was about the best he could expect.

The individuals among the family or acquaintance of the cripple have condoled with him regarding the black future ahead. They have assumed him helpless and, only too often, convinced him of the validity of their surmise.

It is evident that, if reconstructive work with crippled men is to be successful, this attitude must radically be altered. The em-

<sup>1</sup>For discussion of state legislation in this regard, see "Legislation as to Rehabilitation of Injured Workers," by Lindley D. Clark, *U. S. Monthly Labor Review*, April, 1920, pp. 202-206. Also *ibid.*, August, 1920, p. 139; October, 1920, pp. 1-8; December, 1920, pp. 91-92.

<sup>2</sup>*American Labor Legislation Review*, June, 1925.

ployer must be brought to think: "Too bad, but we must not think of any charity job. We must look around to pick out for you a job at which you can be as useful as before the injury." The reaction of the individual must come to be: "That was hard luck, but you will get along all right. Think of all the cripples, more seriously disabled, who have made real successes and are now happy and self-supporting."

The public demand on the cripple must be that he fight for his independence, rather than subside into an object of pity. And the community must then be prepared to stand by with the right kind of help.<sup>1</sup>

<sup>1</sup>McMurtrie, Douglas C., *The Organization, Work, and Method of the Red Cross Institute for Crippled and Disabled Men*, pp. 28 and 29.

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LABOR RELATIONS IN INDUSTRY

PART VI

SPECIAL SOCIAL CONSIDERATIONS



## XX

### SOCIAL INSURANCE

Meaning of social insurance. Workmen's compensation insurance; employments covered; nature and degree of disability; compensable periods; age and occupation; scale of compensation; medical service; relation of compensation to rehabilitation; occupational diseases; federal and interstate commerce provisions for workmen's compensation. Health insurance. Old-age insurance. Unemployment insurance. Private insurance and relief measures.

INDUSTRIAL insurance, or insurance for the wage-earner against industrial risks, may be conducted on the basis of private enterprise or through state cooperation and control. Social insurance as applied to wage-earners represents the organized activities of the state or other group under given conditions in the support, regulation, and control of insurance for the worker who has lost, temporarily or permanently, the capacity or opportunity to work. As such it is conducted in cooperation with or by industry, the degree of this cooperation or active participation and control by the state depending upon the type of insurance and other conditions involved.

Of itself social insurance is thus not a remedy against the occurrence of accident or other misfortune, but a means of assistance when accident or misfortune occurs. Insurance, however, through the obligations and enlightenment that its intelligent administration gives, may help to stimulate prevention on the part of both employers and workers.

Another fundamental principle affecting social insurance for wage-earners is that the normal incentives to the exercise of reasonable care by employer and worker for the safety and welfare of all parties concerned, and the promotion of habits of industry and thrift on the part of the worker should not be reduced.

These principles are generally recognized and there is also an increasing belief in the principle that the accidents and misfortunes to human beings in the regular performance of their duties in industry should constitute a regular charge upon industry. The extent to which this charge should be paid in full by the employer and then, when appropriate, passed on to the consumer through the prices of commodities, depends upon the nature of the risk and the feasibility of administration. Workmen's compensation insurance, for example, has come generally to be recognized as a proper charge upon industry, while the place of obligation and administrative feasibility in the field of unemployment insurance still remains on debatable ground with widely varying opinion and application. Again, the degree of compulsion placed upon industry by the state has largely developed according to *varying standards*. In general, however, the extent of the charge and the degree of compulsion may develop along with the ideas of concrete and immediate loss to the worker and definite assignability of the cause of injury or misfortune. Thus workmen's compensation insurance has, broadly speaking, received most ready recognition on the part of the state.

The need for social insurance is found in the fact that wage-earners without compulsion or assistance do not adequately insure themselves, a condition that has far-reaching social as well as personal consequences. The practical effects of this condition remain the same whether the reason for their failure adequately to insure themselves is lack of sufficient earnings, indifference, or failure to plan ahead. Thus failure on the part of the worker to provide reasonably for the future if he has had the economic means to do so does not lessen the immediate effects of dependency or destitution when they occur. But an enlightened industrial citizenship participating in the activities and appropriately sharing in the returns of industry will help to reduce substantially the evil of old-age dependency through the development of responsibility and foresight generally.

Social insurance cannot operate, however, without recognition of the causes of the evil which it attempts to alleviate and the promotion of every effort toward prevention. Fundamentally, prevention and not insurance is the goal. Education and information thus become the greatest powers for elimination of the basic causes.

There are four general fields in which social insurance in industry may operate, namely, industrial accidents, sickness, old-age disability, and involuntary unemployment. Certain more specific phases of social insurance, usually related to one of the foregoing general types, are those pertaining to occupational diseases, invalidity, death and dependency of immediate relatives, and maternity benefits for working women and the wives of working men.

#### WORKMEN'S COMPENSATION INSURANCE

Workmen's compensation insurance has come to be recognized as a field in which compulsory action by the state is justifiable. Primarily, its purpose should be to prevent the loss of human life and misfortune through accidents of industry, and secondarily, though none the less important when accidents have occurred, to alleviate the suffering consequent to such accidents. The purpose and scope of workmen's compensation laws are therefore far-reaching.

In its application certain well-defined governing principles have gradually been developed. In the statement of Dr. Royal Meeker an effective law "must provide somewhere for the exercise of the six functions enumerated below: (1) preventable industrial accidents and illnesses must be prevented; (2) workers injured by either accident, diseases, or poison must be restored as completely and as quickly as possible by the best obtainable doctors and surgeons; (3) money benefits must be provided to enable the worker and his dependents to live during the period of his total or partial disability without the assistance of public or private charity; (4) the injured worker, when restored as



fully as possible, should be retrained, if necessary, to take up real work suited to his ability and his disability; (5) when ready to go back to a *bona-fide* job in real industry, the injured worker should be placed and kept in suitable employment through a public employment system; (6) the injured worker must be kept track of and physical reexaminations given him when necessary."

In accomplishing these results a number of specific factors must be adequately provided for, and in addition to the more usual provisions found in workmen's compensation laws, certain fundamental considerations present themselves.

*Employments Covered.* All employments should be included. "The only exception which should be made," recommends the American Association for Labor Legislation, "is of casual employees in the service of employers who have only such employees and who, therefore, cannot fairly be required to carry compensation insurance policies. Such policies, on payment of a small additional premium, are now drawn so as to embrace casual as well as regular employees. No serious burden is therefore entailed on employers, even of domestic servants, in making them liable to pay compensation to casual employees."

*Nature and Degree of Disability.* The type of disability must be carefully considered. Also, the relation that it bears to compensation in a given case is conditioned on several factors.

*First, all forms of injury* through accidents that require any substantial loss in time or ability should be included. Second, the *degree* of disability must be evaluated and then compensated for accordingly. Temporary partial, permanent partial, temporary total, and permanent total disabilities present different problems.

Again, in view of the enormous handicaps sustained, it would seem no more than just to stipulate that the loss of

*any two* of the following members or organs should be considered *total disability*: hands, arms, feet, legs, and eyes.

Cases of *successive injuries*, through which a previous injury combined with the new injury constitutes either increased partial disability over and above the single injuries as such or total disability, require special provisions. In such cases the employer should not be liable for disability other than that for the injury received in his employment if conditions of employment were proper. It would seem that a person disabled in this way should have the right to compensation from the state for this added increment of disability throughout the period of such disability.

To cover the period after which the employer is liable for the maximum compensation in cases of permanent or prolonged total disability the advisability of the state's paying the difference between this maximum compensation and the reduced compensation till the end of the period of disability is worthy of consideration.

Cases in which partial disability is followed by total disability from the same injury, or in which any disability is followed by death from the same injury, necessitate unusual care in handling justly. Compensation for this increased disability or death should not be decreased by compensation previously received for the lesser disability or incapacity *already suffered*, that is, compensation for later and increased misfortune should not be reduced by compensation previously decided upon as fitting for an earlier misfortune. In other words, compensation should, within reason, be made cumulative in these cases according to the nature and length of existence of such disabilities with the consequent loss in earning power arising therefrom. If it is not considered desirable for the employer to bear all the expense on this increased disability, the cause of which is often difficult to determine, the state can assume an appropriate part of it. But the injured worker himself should not bear this burden alone. Adequate provision should be made for dependents in case of death from such causes.

*Compensible Periods.* In so far as practicable, the compensible period should extend over the period of disability. This factor must be considered, however, in relation to the amount of compensation and also to the nature and severity of the accident.

A reasonable waiting period is necessary to prevent malingering and to avoid the heavy expense of administration which would be involved if every trivial injury had to be considered. Retroactive features, however, should be provided for. Thus, if the disability lasts, say four weeks or more, or if death follows within a determined period of time, compensation should be made retroactive to begin the day after disability occurs. A waiting period of seven days is recommended as desirable by observers who have noted facts from experience. It is reported, for example, that the 14-day waiting period in New York State has denied cash compensation to 62% of those injured in industrial accidents.

*Age and Occupation.* For very young and very old workers, provision should be made to take into account, in addition to the nature and severity of the accident, the age and occupation of the injured, such compensation to be arranged for through properly constituted experience schedules. Aside from other desirable results, the introduction of the age and occupation factors would permit, in determining the rate of compensation and the period of compensation, account to be taken of the *usual* increase or decrease in earning power experienced by a normal person who is not disabled, as well as of the possibility of the disabled person relearning a trade when necessary.

*Scale of Compensation.* The scale of compensation should in general be determined according to the nature and severity of the injury judged in relation to the normal earning capacity of the worker. Account must be taken, however, of maximum and minimum wage rates so that the amount of compensation will be substantial but not excessive. Also,

in case of prolonged disability, the length of time for which the disability lasts should be taken into consideration.

*Medical Service.* Adequate medical and surgical service, designed both to prevent serious developments arising from accident and to provide proper care afterwards for those who have been injured, is imperative. Ample provision should be made as to amount of expenditure for treatment as well as for length of treatment. This latter feature is often more important generally than the direct money benefits.

*Relation of Compensation to Rehabilitation.* The injured worker should be given every stimulus and opportunity to rehabilitate himself for normal work. At the same time, the ambitious cripple should not be penalized and lose compensation through special efforts to rehabilitate himself in cases where temporary total or permanent or temporary partial disability have been suffered. In other words, he should be compensated according to the nature and severity of the injury received considered in relation to his age and occupation, as determined by schedules of experience setting forth the relation of these factors and their *usual* effect upon employment, and *not* conditioned upon his "rearriving" at his old wage. Compensation should be paid according to the handicaps suffered, and should not penalize effort expended and time lost in overcoming such handicaps.

Cooperation should be established between the employer and the state for the reemployment at a fair wage of a compensable person injured in his employ. This would have a decided effect in influencing the reabsorption of industrial cripples in the industry in which they were injured and for which their previous training and experience have best fitted them.<sup>1</sup>

*Administration.* Without adequate machinery of administration properly conducted, provisions for workmen's compensation may be of little avail. This requires appropriate

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<sup>1</sup>See also Chapter XIX on "Industrial Rehabilitation."

state agencies of administration. In this regard three outstanding problems present themselves: (1) the scope and powers of the state agency, (2) the type of insurance carried, and (3) the efficiency of administration.

Aside from questions of employments and kinds of injuries included is the question as to whether the state's provisions shall be made elective or compulsory. In some states from one-fourth to one-half of their workers are excluded from the provisions of the compensation laws through failure of employers to elect to come under their provisions. This is due in many states to constitutional limitations on legislative authority, which should be removed by proper amendment.

Most states now provide that workmen's compensation be rendered according to the provisions of the compensation act in each case on the basis of predetermined schedules setting forth the employer's liability, and that this shall be the universal and sole method of compensating for accidents under the law. In such cases provision is made for the state, through its compensation commission, to exercise administrative authority in adjusting any claims not covered by the schedule or in adjusting cases of dispute and to take legal action, when necessary, in behalf of injured workers against delinquent or negligent employers. Such provision eliminates the cost of lawsuits and the loss in time consequent thereto, which money costs can otherwise go into actual compensation benefits and which psychologically often tend to impede the individual worker in the exercise of his rights. These types of provisions are operative in those states in place of the elective system whereby either the employer or the employee, by serving notice as provided, can choose between following the provisions of the compensation act or relying upon the processes of legal action. In some states such mandatory provisions are not possible under their present constitutions. No direct settlement between employer and worker should be possible without the commission's approval.



Explicit administrative authority is now granted in most states to the state commissions to require installation and maintenance of safety methods which conform to regularly determined standards properly arrived at.

The state should also have power, aside from the matter of active regulation of the compensation phases themselves, to require the installation of adequate record systems and methods of report on industrial accidents.

Proper provision also needs to be made to protect the employer against the careless worker, and otherwise safeguard the rightful interests of the employer at the same time the worker is duly protected. Most states have laws providing such protection in so far as possible.

Explicit administrative authority should be given the state commissions to cooperate with employers, and initiate and require, when desirable, rehabilitation of the injured in as nearly normal pursuits as possible on the part of the employer in whose service the injury was suffered.

The second problem is that of the type of insurance provided. In many cases the employer has the option of choosing between several kinds of insurance. In some cases, however, he must insure exclusively in the state funds provided for the purpose. In general, workmen's compensation insurance may be: (1) self-insurance by the employer, (2) private insurance carriers, either stock or mutual, (3) state funds competitive with other carriers, and (4) exclusive state funds. The tendency is towards requiring insurance in state funds or careful regulation of other carriers, guaranteeing absolute security to the employee in his risk.

In the main, efficiency of administration is cared for in most cases under existing laws so far as the scope and powers of the state agency and the type of carriers are concerned. Emphasis should be placed, however, on the necessity for a high-grade, well-trained administrative personnel, since the degree of cooperation between industry and the state will ultimately depend to a large degree upon those who administer any system.

The present status of workmen's compensation laws in the United States and Canada is indicated in the following chart of the American Association for Labor Legislation:



Figure 3: Workmen's compensation map of the United States and Canadian Provinces, revised to January 1, 1925.

*Occupational Diseases.* Workmen's compensation insurance should be made to include those who contract occupational diseases and suffer from degenerative diseases caused by the wear and tear of their work. While in some cases such diseases are difficult to assign to conditions of employment as compared with similar incapacities caused by conditions outside of employment, still certain of them can be reasonably determined. Those which cannot be so determined can probably be best cared for under health insurance rather than workmen's compensation.

FEDERAL AND INTERSTATE COMMERCE PROVISIONS FOR  
WORKMEN'S COMPENSATION

The administration of workmen's compensation for federal employees and workers engaged in interstate commerce requires special administrative provision on the part of the Federal Government. The act of 1916 made provisions for civil employees in government service, and later these provisions were greatly extended. They include handicaps arising from occupational diseases.<sup>1</sup> The problem with regard to employees engaged in interstate commerce presents a more complex situation, due to the varying provisions of the several states in cases these provisions are made effective for the locality concerned as compared with the desirability of uniform federal legislation covering the entire country. Congress has not yet provided workmen's accident compensation for employees in private employment in the District of Columbia, although public employees are so protected.

## HEALTH INSURANCE

Health insurance as a measure of social control, in addition to the particular questions of a nature quite similar to those of compensation insurance, presents peculiar problems of definition and administration. Its development has been much slower and less wide-spread than that of compensation for industrial accidents.

First of all, there is the problem of compulsory as opposed to voluntary insurance on health matters. On the one hand, it has been found that voluntary health insurance does not reach the persons who need it most, and it is claimed, therefore, that health insurance should be made compulsory. On the other hand, it is claimed that compulsory health insurance infringes upon personal rights that concern the individual alone. Hence, it is sometimes sug-

<sup>1</sup>Affirmed in Opinion of United States Attorney General (See *American Labor Legislation Review*, June, 1923.) Later clarified by Act of Congress, 1924 (see *ibid.*, December, 1924).

gested that social insurance on health matters be made both voluntary and compulsory in nature, based upon the condition and needs of those affected.

It is becoming generally recognized that health matters in industry are of concern to the employer, to the worker, and to society in both cause and effect. They thus present a social as well as an individual problem, in the solution of which the state has a right to exercise appropriate functions.

The extent of the problem is indicated in the findings of the Illinois commission appointed to investigate and make recommendations concerning health insurance. This commission reported:

Broadly speaking, four types of insurance are provided: (1) private insurance carriers, either stock (non-participating) or mutual (participating); (2) competitive state funds; (3) exclusive state funds, and (4) self-insurance. In most cases the employers have the option of several kinds of insurance. This does not hold true, however, of states having exclusive funds; in these states no other form of insurance is permitted. Another form of security in most of the laws is the provision making compensation payments a preferred claim or lien against the property of the employer. In fact, this is practically the only security possessed by employees in the non-compulsory insurance states. It is also becoming more generally recognized that much of the sickness and ill health of working people is caused by industry.

One of the biggest arguments put forward for health insurance is that state supervision, by drawing attention to questions of industrial hygiene and health, will stimulate efforts towards sickness prevention. These claims, thus far difficult to establish statistically because of indefinite figures, find support in the effect of workmen's compensation acts on industrial accidents.

The benefits under health insurance are both medical and financial in nature. The cost when such insurance exists should be borne by employers, workers, and the state, distributed according to the cause and effect of the illness.

Peculiar problems present themselves regarding the

administration of the medical phases. There are questions not only of a professional nature regarding the medical profession, but questions of personal choice on the part of the employee as to his physician and the extent of the service to be rendered.

One of the most far-reaching acts of social insurance as applied to health measures is the British Health Insurance Act, originally enacted in 1911 and amended several times since. Regarding the efficiency of this act various claims are made. As one of the most extended experiments of the field it is pointing the way to desired results and showing the way to avoid certain of the dangers already indicated. The expense of administering the plan has brought forth repeated efforts to modify or reduce the cost of its operation, although recent reports from an actuarial standpoint indicate a net profit.

In general, health insurance socially applied presents many complex problems. It concerns the individual, the employers, and the state. The degree to which each of these parties shall support a system of health insurance depends upon the particular situation. That the state is justified in promoting and regulating social insurance on health matters, with the right of compulsion in a broad way, is becoming increasingly recognized. State control, however, should be a minimum force.

#### OLD-AGE DISABILITY INSURANCE

A phase of industrial insurance not yet generally recognized in law or in practice in the United States is insurance against old-age dependency. Montana, Nevada, Pennsylvania, Wisconsin, and California have enacted legislative provisions granting old-age pensions to employees in state, county, and municipal service.<sup>1</sup> Alaska also has an old age pension law passed in 1915 and since extended. In 1920

<sup>1</sup>The Pennsylvania law was held unconstitutional for special reasons by the state supreme court in 1925.



the Federal Government established by Act of Congress compulsory contributory old-age and invalidity insurance for government employees in the classified civil service. This law was later extended to include unclassified labor in the post-offices of the country. Great Britain, Australia, British Columbia, France, and Belgium are among other countries having old-age pension laws.

Old-age pension or insurance against dependency is justifiable. The superannuated employee may have given long years of profitable service to industry during which he has worn himself out as a productive agent but still may require help to maintain a living. Where earnings throughout his years of service have not been large enough, he may arrive at this condition of total or partial dependency through no fault of his own. Granted proper terms and conditions of employment, an appropriate pension system is an advantage both to industry and to the employee in helping to stimulate permanency of employment. The industrial pension in its best sense is therefore not charity, but recognition of service well rendered. Old-age insurance, however, must be administered so as not to encourage indolence or be an undue burden upon industry.

Where the state or government provides insurance for old age, proper safeguards against indolence and lack of thrift need especially to be set up. State action on insurance of this type finds its greatest justification in providing benefits for those lines of work in which private industry cannot properly carry insurance of this kind; and in stimulating and helping by legislative action private industry to make proper provisions where possible. Obviously for wage-earners in industries able to do so, old-age insurance can best be conducted through mutual cooperation of employer and employee, for in this way thrift and industrious effort are promoted. Numerous companies now make provision for such insurance through pension systems which are usually administered and controlled by the companies,

without contractual effect, as a phase of their employee benefit activity.<sup>1</sup>

#### UNEMPLOYMENT INSURANCE

At best there will always be a certain minimum of conscientious workers at any time who are out of employment. What duty, if any, have the state and industry to the worker who through no fault of his own has no job? This question raises the problem of unemployment insurance in its various aspects. Whether the unemployed are in that position because of the failure of industry to apply effectively the remedies which are at its disposal or of the failure of the public to apply its remedies effectively, or from the presumed necessity of each community's maintaining reserves of labor in order to meet the demand of fluctuating industries, there is a mutual responsibility between industry and the state to assist these workers. The relative extent of this responsibility in each case, of course, depends upon the degree to which industry and the public perform their respective duties in eliminating the preventable causes of unemployment.<sup>2</sup>

If a given industry, for example, insists upon having a labor reserve available for immediate use on its part, it is proper that it should subsidize that labor to a reasonable extent to care for the loss of income while it is unemployed. The tendency towards higher rates of pay to workers in those industries in which employment is both intermittent and irregular, as in the building trades, may be regarded as a tacit recognition of their obligation. Often, however, the public pays the bill in other ways for this overhead in maintaining labor reserves.

Again, the unemployed may be subsidized through cooperation of employers and the public. Sometimes the worker

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<sup>1</sup>See also page 387.

<sup>2</sup>For discussion of unemployment, see Chapter XV. See especially pages 290 ff for discussion of plans for the prevention and relief of unemployment by industry itself.

who has employment joins in contributing to such unemployment funds. Here the financial burden of maintaining the idle workers falls upon the industry and the public as a whole rather than upon the unemployed who are not responsible for conditions that keep them out of work.

Many difficulties of administration, however, as well as positive social dangers are attendant upon any program of unemployment insurance. Who is deserving and who is undeserving? Thus it has been reported that it was possible for workers who previous to the war performed manual labor, for example, but who during the war received temporarily a higher trade classification, to remain out of work and make substantially as much from the operation of unemployment insurance as they would if they returned to work at their legitimate calling. The determination of merit for granting unemployment insurance involves intangible factors not present in accident compensation insurance. Unemployment insurance, to be successful, must be so operated as to stimulate the employer to eliminate irregularities of employment in his establishment, as well as to protect himself and the public from the industrial parasite or shiftless worker.

The British Compulsory Unemployment Acts of 1911, 1916, and 1920 represent probably the most notable program in this regard. It is a contributory plan—employers, workers, and the state paying. Queensland also has an unemployment insurance plan with the triple levy upon worker, employer, and state. In numerous countries there is the tendency to make unemployment insurance compulsory, with contributions by employers, workers, and the public becoming the usual practice. As a general measure, however, the application of unemployment insurance by the state has thus far had decided limitations.

It must be recognized that the end in all unemployment programs is not to insure the unemployed but to assure the worker against unemployment. Insurance measures, at best, alleviate and do not prevent or remedy the evil.

It is not state insurance out of state funds, but insurance by industry against unemployment and to help the unpreventably unemployed that is needed first. Legislation should be devoted primarily to these purposes rather than toward state insurance of the unemployed *per se*. The Huber unemployment measure of 1921 in Wisconsin, since revised, although it did not become a law indicates an endeavor in this direction through the channels of legislation. It would require employers to pay unemployment benefits to their workers for stipulated amounts and periods through a specially organized state-wide mutual insurance company. By setting the amount of each employer's quota according to the regularity of employment of his labor, it endeavored to provide an incentive for steady work.

#### PRIVATE INSURANCE AND RELIEF MEASURES

Private industry in numerous cases has taken steps of its own initiative to give relief to those of its workers who have suffered misfortune through accident and sickness or to their beneficiaries in case of death, to help care for them during old-age disability, and to mitigate unemployment. It has been estimated that approximately 200 industrial and commercial companies, in addition to 36 railroads of this country, now have such plans. Approximately 3,000,000 workers are reported to be affected by them.

Of these the most generally adopted plans thus far have dealt with accident, sickness, and death, frequently through some form of a mutual benefit association. In a majority of cases the fund for these is maintained through joint contribution by employer and employees. Varying contributions and varying benefits are found. In some cases the plans are administered jointly by employer and employees with varying degrees of control. Sometimes, however, they have been promoted by employers alone for the benefit of their employees, and sometimes by the cooperative effort of the employees alone.

Plans for unemployment insurance by private industry have been relatively slow to develop. Instances in which the emphasis has been placed upon prevention rather than relief have been discussed in a previous connection.<sup>1</sup>

Systems for old-age benefits are rather frequent among the long-established companies. These usually have been contributory in nature. Sometimes they have been made compulsory upon employees, sometimes voluntary. Usually the company has made express provision against guaranty of permanency or other effect upon the usual employment contract. The benefits actually paid under these plans have been of varying degree.

Closely allied to these plans are those on such matters as promotion of thrift and credit facilities. These, of course, do not come within the scope of social insurance in the technical sense. Real benefits appear to have been secured in some cases on this basis. Generally speaking, however, these efforts are as yet in their experimental stage, but they are of value in contributing toward the future solution of this problem.

In addition to mutual benefit plans conducted by private companies, the benefit plans of labor unions for their members should be considered in this connection. The scope and provisions of these vary with different unions, but in some cases they are of long standing and provide for benefits of considerable value. The total benefits distributed under these various plans are very substantial.<sup>2</sup>

<sup>1</sup>For unemployment insurance plans adopted by private industry, see previous citation, Chapter XV, pages 290 ff.

<sup>2</sup>For detailed statement of amounts distributed under these plans for trade union members, consult current *Proceedings of the American Federation of Labor*.

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## XXI

### WOMEN IN INDUSTRY, AND CHILD LABOR

Extent of employment of women in industry. Principles governing employment of women. Legislation affecting women in industry. Agencies dealing with problems arising out of employment of women in industry. Extent of child labor. An economic and social problem. Requirements to correct child labor. State legislation. Federal control. Administration of child labor regulations. Agencies promoting the restriction of child labor.

#### A. WOMEN IN INDUSTRY

THE United States Census of 1920 shows over eight and one-half million women ten years of age and over employed in gainful occupations in the United States, of which number approximately three and one-half million are employed in manufacturing and directly allied industries exclusive of agriculture, trade, professional, clerical, and domestic and personal service. The United States Department of Labor, in a statement issued in December, 1922, pointed out that virtually one-quarter of the wage-earners are women, and that except in states that have laws to prevent, more than one-half of the women received less than \$12 per week and work nine to ten hours a day and more. Census figures for the last decade do not show, however, that the percentage of women gainfully employed is increasing.<sup>1</sup>

The employment of women in industry, however, is not a development of merely the last few years. To go back no farther, women and children were working in large numbers as wage-earners at the beginning of the introduction of the factory system. It was partly to correct certain of the evils attendant upon such employment that special legis-

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<sup>1</sup>*The Occupational Progress of Women*, Women's Bureau, U. S. Department of Labor Bulletin, No. 27.

lative action on employment relations arose in the early part of the nineteenth century.

#### PRINCIPLES GOVERNING WOMEN IN INDUSTRY

Many of the problems relating to women in industry are common to all workers. Thus the matter of division of earnings, representation in management, and security of employment present, in large measure, the same fundamental problems regardless of the sex of the worker. At the same time it is necessary to recognize several of the more important principles affecting woman workers that are at times overlooked in the daily routine of industry. These are summarized from observation of the conditions and effects of the employment of women in industry.

1. *Equal Opportunity.* The woman worker who must earn a livelihood should have equal opportunity with the man worker in securing and pursuing her employment, granted similar qualifications and proper conditions regarding employment. The woman who needs work to make a living or to provide for dependents is just as deserving of work as a man is. Equal opportunity includes the chance to develop in full measure according to individual capacities.

2. *Occupational Fitness.* Vocational aptitude must be carefully determined, as it must be for the man worker. This means, for the woman, that appropriate occupational pursuits must be chosen in order to care for sex differences. The physiological and psychological traits of the individual, with recognition of basic sex characteristics, must be considered in relation to the type of work to be performed. This is a problem of scientific selection and adaptation to the work in question, and not one of discrimination because of difference in sex. Thus there are certain occupations that women should not enter, others in which they should receive special safeguards.

3. *Equal Pay.* Women should receive equal pay for equal

work. The amount of pay should not be determined by matter of sex, but on the basis of occupational proficiency. Occupational proficiency must take account of both quantity and quality of work performed.

4. *Social Claims.* Granting freedom of action to the individual and equal rights and opportunity in industry under similar conditions, society should see that industry does not actually demand the labor of an undue number of woman workers to the extent of taking them away from home and civic activities.

The specific application of the foregoing principles is not always easy. As to exactly what work women can most appropriately do in industry further experimentation, under proper observation, is desirable.

In speaking of certain aspects of the problem, Frederick L. Hoffman says: "The whole question of sex in industry is involved in the problem as to whether certain industrial processes are more injurious to women than to men, or, for that matter, injurious to both. It would seem to require no extended scientific study to emphasize the conclusion that women, because of their sex, must suffer more, wherever harmful conditions exist, than men likewise exposed. No comprehensive study has, for that matter, been made of the relative adaptation of the sexes, to particular lines of activity, with a due regard to health, disease liability, and physical strength."<sup>1</sup>

#### LEGISLATION

Legislation affecting women in industry has usually been directed toward the end of protection and aid for the woman worker. Thus most of the European countries have laws definitely prohibiting the employment of women in night-work, and nearly every state in this country has some law of a protective nature for women who work in industry.

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<sup>1</sup>Hoffman, Frederick L., *Health of Working Women*, The Consumers' League of New York Bulletin, May, 1924, Vol. III, No. 5.

This protective legislation has included one or more of the following phases: regulation of working hours, under which come daily and weekly working hours; a day of rest in seven; limitation of night-work; daily rest and lunch periods; the regulation of physical working conditions; provision for a minimum wage; control of conditions for doing factory work in the home; and provision for mothers' pensions.

In this country legislation affecting private employments has been the function of the individual state. While most of the states have passed laws relating to hours of work for women, only 8 states limit the work-day for women to 8 hours and 14 states to 9 hours. Thirteen states have prohibitions on night-work, 13 states regulate home-work; 12 states have minimum wage laws for women, all of which except one have mandatory provisions; and 40 states have mothers' pension laws. In addition to these are the laws of the District of Columbia and the territories.<sup>1</sup>

Opposed to the principles embodied in the legislation of the type described above is the school of thought that considers such legislation as repressive, rather than protective, for women, and infringing upon the liberty and right of the individual to labor.

#### MOVEMENTS AIDING WOMEN IN INDUSTRY

Various movements, private, public, and quasi-public in nature, have developed to deal with the problems arising out of women's work in industry. Among these are the National Consumers' League, the General Federation of Women's Clubs, the National League of Women Voters, the National Women's Trade Union League in this country, and the Women's Section of the British Labor Party. The Women's Bureau of the United States Department of Labor indicates the governmental interest in these problems in this country.

<sup>1</sup>For general discussion of labor legislation affecting women in industry, see "Labor and the Law," Chapter X, especially pages 139 ff.



In England the working women have received recognition by appointment of a representative in the Labor Government. In addition, the activities of the various federations of labor as such, the young women's religious societies, and the various national industrial conferences should be noted.

Among the agencies of international nature that have been active in this field is found the International Association for Labor Legislation. Especially significant are the international labor conferences of the League of Nations and the general activities of the International Labor Office, which show the official nature of the international interest in the problems affecting woman workers and in measures for the proper administration of these matters.<sup>1</sup>

## B. CHILD LABOR

Child labor is both an economic and a social problem. As such it has far-reaching consequences for industry. For example, too early employment of minors, depriving them of the training and leisure that makes for proper physical and mental development, ultimately lessens the available skill and hence the productive labor supply of a community. As the complement of this result, too early employment swells the numerical labor supply and tends to make for general conditions of unemployment. Again, employment of children at low wage rates on similar types of work as adults undermines the standard of wage levels for adult workers. But probably most important of all is the ultimate effect on industry and the state of an unenlightened industrial citizenship resulting from the failure of the youth of the community to receive the fundamentals of a general education.

### EXTENT OF CHILD LABOR

The employment of children<sup>2</sup> on gainful occupations in

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<sup>1</sup>See Chapter XXVII.

<sup>2</sup>Minors 14 to 16 years of age, and in certain states 10 and 12 years of age and up.

the United States still assumes substantial proportions. There are over 1,000,000 children 10 to 15 years of age in gainful occupations, approximately one-twelfth of all children in the United States. This employment of children covers practically the entire country. Sixty-one per cent of the total are engaged in agricultural labor.

While exact data for the various states are not continuously available, the following summary statement, based upon the number of children receiving employment certificates for the first time for the periods and localities mentioned, indicates the extent of such employment over a period of years in the United States.<sup>1</sup> To picture the full extent of the problem, however, it is necessary to bear in mind the number of minors within the given years of age already in employment when the children referred to in these tables enter gainful occupations. It should also be noted that these data do not include figures for the South Atlantic states, certain of which are among those permitting maximum daily and weekly hours of work and minimum age requirements. The summary is quoted in full:

When the numbers of children receiving employment certificates in each of the groups of cities furnishing statistics for the years 1916 to 1920 are added, there is indicated in 1920 a slight increase over 1919, a decrease from 1918, the year of maximum war production, and an increase of about 12% over the number of children taking out certificates in 1916. The table on page 396 gives the grand total of children certificated in all of these cities in certain significant years, and shows the percentage of increase or decrease in 1920 as compared with each of these years.

The smaller group of cities for which we have certificate figures for the entire period 1913 to 1920 shows the same tendencies. In 1920 there was an increase of about 13% over 1913.

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<sup>1</sup>From "Trend of Child Labor in the United States, 1913 to 1920," by Nettie P. McGill, Children's Bureau, U. S. Department of Labor, in *U. S. Monthly Labor Review*, April, 1921, pp. 1-14.

North Carolina, for example, permits a working day of 11 hours and a week of 60 hours. Florida has a 9-hour day and a 54-hour week, and Georgia a 60-hour week with no restrictions on the number of hours per day. In all of these states the usual minimum age is 14, but in some it is 12, under certain conditions. See chart of Children's Bureau, U. S. Department of Labor, *State Child Labor Standards*, January, 1921.

TABLE 4

TOTAL NUMBER OF CHILDREN IN CERTAIN CITIES RECEIVING  
REGULAR EMPLOYMENT CERTIFICATES FOR THE FIRST  
TIME IN SPECIFIED YEARS, AND PERCENTAGE  
OF CHANGE IN 1920

Year	Number	Percentage of Change in 1920 as Compared with Specified Year
1916	101,948	+ 11.7
1918	124,541	— 8.6
1919	112,073	+ 1.6
1920	113,879	.....

The increase in the population of these cities between 1913 (estimated) and 1920 was 14%. The number of children taking out certificates to work has kept pace with the grouping population in these cities, which, by reason of their size, location, and industries, may be considered representative of the country as a whole. A number of states represented by this group of cities passed legislation during the period under discussion which would tend to decrease the number of children going to work. On the other hand, enforcement of the certificating provisions of the child-labor law became, in certain places, much more effective during these years, causing fewer children to go to work without legal certification, but possibly resulting in larger numbers receiving certificates. Therefore, while the number of children taking out certificates has increased in proportion to the increase in population, it cannot be stated positively, any more than it can be denied, that the number of children actually going to work in 1920 increased in like proportion over the number going to work in 1913. While the census returns of 1920 show a marked decrease from 1910 to 1920 in the number of children 10 to 15 years of age gainfully employed in the United States, first work permits show an increase in 1922 and in 1923.

#### REQUIREMENTS

1. *Individual.* Child labor is a problem that should be approached first of all from the standpoint of the needs of the child. In determining these needs he must be considered

not only as a child, but as a future responsible member of his social, civic, and industrial group.

This requires the taking into account of such factors as minimum age for work; sex differences; hours of work, including daily and weekly maximums, number of days working per week, and night-work; physical fitness; educational requirements completed before entering industry and continuation school work; occupations in which employment of minors can be properly permitted; accident hazards; and a proper wage.

Following are the minimum standards adopted by the Conference on Child Welfare held under the auspices of the Children's Bureau of the United States Department of Labor, May, 1919.

#### MINIMUM STANDARDS FOR CHILDREN ENTERING EMPLOYMENT

*Age Minimum.* An age minimum of 16 for employment in any occupation, except that children between 14 and 16 may be employed in agriculture and domestic service during vacation periods.

An age minimum of 18 for employment in and about mines and quarries.

An age minimum of 21 for night messenger service.

An age minimum of 21 for girls employed as messengers for telegraph and messenger companies.

Prohibition of the employment of minors in dangerous or hazardous occupations or at any work which will retard their proper physical development.

*Educational Minimum.* All children shall be required to attend school for at least 9 months each year, either full-time or part-time, between the ages of 7 and 18.

Children between 16 and 18 years of age who have completed the eighth grade and are legally and regularly employed shall be required to attend day continuation schools 8 hours a week.

Children between 16 and 18 who have not completed the eighth grade or who are not regularly employed shall attend full-time school.

Vacation schools placing special emphasis on healthful play and leisure-time activities, shall be provided for all children.

*Physical Minimum.* A child shall not be allowed to go to work until he has had a physical examination by a public health physician or school physician and has been found to be of normal development for a child of his age and physically fit for the work at which he is to be employed.

There shall be periodical medical examination of all working children who are under 18 years of age.

*Hours of Employment.* No minor shall be employed more than 8 hours a day. The maximum working day for children between 16 and 18 shall be shorter than the legal working day for adults.

The certificate shall be issued to the employer and shall be returned by the employer to the issuing officer when the child leaves his employment.

The school last attended, the compulsory education department, and the continuation schools shall be kept informed by the issuing officers of certificates issued or refused and of unemployed children for whom certificates have been issued.

Minors over 18 years of age shall be required to present evidence of age before being permitted to work in occupations in which their employment is prohibited.

Record forms shall be standardized and the issuing of employment certificates shall be under state supervision.

Reports shall be made to the factory inspection department of all certificates issued and refused.

*Compulsory Attendance Laws.* Full-time attendance officers adequately proportioned to the school population shall be provided in cities, towns, and counties to enforce the school-attendance law.

The enforcement of school-attendance laws by city, town, or county school authorities shall be under state supervision.

*Factory Inspection and Physical Examination of Employed Minors.* Inspection for the enforcement of all child-labor laws, including those regulating the employment of children in mines or quarries, shall be under one and the same department. The number of inspectors shall be sufficient to insure the regular observance of the laws.

Provision should be made for a staff of physicians adequate to examine periodically all employed children under 18 years of age.

2. *Industry.* Industry must also take into account its own needs in dealing with the problem of child labor. An intelligent and far-sighted industry will recognize the evil effects upon industrial efficiency and industrial good-will



that follow the misemployment of minors, and cooperate with the state in its efforts to abolish these evils, as well as to promote the welfare of the individual child.

#### STATE LEGISLATION

Legislation restricting the employment of children assumes two phases—positive and negative. Positive legislation by the states has dealt affirmatively with such factors as minimum ages for employment, hours of work, certification of physical fitness, educational requirements, and occupations in which children are legally employable. Legislation negatively affecting the employment of children is found in the compulsory school-attendance laws. All states in this country have laws dealing with child labor, but the variety and varying degrees of effectiveness of these laws is seen in the fact that, exclusive of work in mines and quarries, the minimum age runs from 12 to 16 years of age, daily hours of work from 8 to 10 hours, and weekly hours from 48 to 60 hours.<sup>1</sup>

#### FEDERAL CONTROL

Movements for federal control of child labor in the United States are represented in concrete measures first by the Owen-Keating Child Labor Act of 1916. This act prohibited the transportation in interstate commerce of products of factories in which child labor was employed under stated conditions as to age and hours of labor. In 1918 the Supreme Court held this act unconstitutional as an improper extension of the power to regular interstate commerce.<sup>2</sup> In 1919 a second child-labor law, employing the taxing power of the National Congress, was passed, placing as a part of the revenue bill a prohibitive tax of 10%

<sup>1</sup>See Chapter X, "Labor and the Law," especially pages 139 ff, for more detailed discussion of laws affecting hours of work for children.

<sup>2</sup>See *U. S. Monthly Labor Review*; U. S. Department of Labor, July, 1918, pp. 171-177.

on the net profits of any factory, mill, mine, or quarry employing children in violation of given requirements.<sup>1</sup> The operation of this act was restrained by the federal judge of the Western Judicial District of North Carolina who first held the Owen-Keating law unconstitutional. This injunction, however, affected only one specific instance or employment. In May, 1922, however, the United States Supreme Court held this law unconstitutional on the theory of interference with states' rights by indirection. The federal laws on child labor in this country have their chief formal opposition under the theory of states' rights. Through the Act of Congress passed June 2, 1924, the supporters of legal restriction of child labor on a national scale endeavored to secure it through a constitutional amendment, under which the Federal Government would establish a national standard and cooperate with the states in enforcing it.

England, in the Fisher Act of 1918, provided for national control of child labor including age, physical, and educational stipulations.<sup>2</sup> With certain exceptions, that law is now in full effect, requiring compulsory attendance at school of all children between 5 and 14 years of age.<sup>3</sup>

#### ADMINISTRATION

The administration of child-labor regulations requires effective centralized agencies of control and supervision for each jurisdiction. The tendency has been for a state industrial commission or special bureau to administer the law. An essential feature of this administration is the "employment certificate" or "work permit," issued only upon legal proof that the child meets the requirements of law for entering employment.

<sup>1</sup>For substantive features of the Federal Act of 1919, see *U. S. Monthly Labor Review*; U. S. Department of Labor, March, 1919, p. 217.

<sup>2</sup>See "British Educational Standards," by Sir Cyril Jackson, in *Standards of Child Welfare*, Publication No. 60, U. S. Department of Labor.

<sup>3</sup>See *U. S. Monthly Labor Review*, July, 1922, p. 123.

Another, and most important feature is that of vocational guidance by the state to assist in proper placement of the child worker. This program needs to be properly correlated with the public employment exchange, as well as with the schools. Follow-up and inspection by the state of the conditions of employment is also necessary, not only to prevent violation of the law, but to aid in developing future constructive legislation.

#### AGENCIES PROMOTING RESTRICTION OF CHILD LABOR

Among the national agencies working for the restriction of child labor are the American Child Hygiene Association, Child Welfare League of America, Children's Bureau of the United States Department of Labor, Council of Jewish Women, Consumers' League, Federal Council of Churches, General Federation of Women's Clubs, National Catholic Welfare Council, National League of Women Voters, National Women's Trade Union League, National Congress of Mothers, National Women's Christian Temperance Union, National Council of Catholic Women, National Federation of Business and Professional Women's Clubs, National Child Labor Committee, and the National Child Health Council. Other organizations which should be included are those such as the American School Hygiene Association and the child labor committee of the American Federation of Labor.

The attitude of the American Federation of Labor, for example, on the question of child labor is given in the report of the proceedings of its convention in 1922 as indicated in the following extract:<sup>1</sup>

As far back as 1881, in the first constitution adopted by the American Federation of Labor, the American labor movement declared: "We are in favor of the passage of laws in the several states forbidding the employment of children under the age of 14 in any capacity, under penalty of imprisonment."

Then the American Federation of Labor believed, as now, that

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<sup>1</sup>*Report of Proceedings, American Federation of Labor, 1922.*

of the many injustices and wrongs growing out of our modern industrial system, none is so grievous or so inexcusable as that of the employment of young and innocent children who are forced to toil for the sustenance of life when they should be in the schoolroom, the playground, or the home, developing their physical, mental, and moral well-being.

The activities of the League of Nations through the international labor conferences and the general work of the International Labour Office merit special attention in connection with the child-labor problem.<sup>1</sup>

<sup>1</sup>See Chapter XXVII, "International Labor Relations," for summary of draft conventions.

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## XXII

### INDUSTRIAL HOUSING

Extent of problem of industrial housing. Industry's interest in housing. Importance of housing to the worker. Housing standards. Types of housing plans: (1) company housing plans, (2) private housing corporations, (3) public housing aid, (4) unofficial quasi-public aid, (5) workers' housing movements. General problems of home ownership. Relation of transportation to industrial housing.

THE housing problem has assumed greater proportions with the rapid development of congested industrial centers through the coming together of many workers in a single community and the accompanying physical and social problems of their environment. This condition has brought about not only a scarcity in the number of living quarters, but frequently an inferior type of house and tenement and community life.

General increase in population and the tendency for people to move to the cities have, of course, played their part, aside from strictly industrial activity, in crowding the cities.

The 1920 census shows that 51.4% of the total population of the United States is urban, although the population has been dominantly rural.<sup>1</sup> It is not so much the numerical percentage itself that is significant here, but its increasing size from year to year. Of the entire population of the country, according to the 1920 census, more than 25% was in the 68 largest cities of 100,000 inhabitants and over.

In 1920 it was estimated that 1,000,000 or more new

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<sup>1</sup>In 1910 the percentage of urban population was 45.8; in 1900 it was 40.0. Urban population comprises that of cities, incorporated places, and towns of 2,500 inhabitants or over. (See *Statistical Abstract of United States*, 1021, issued by the Department of Commerce.) The growth of suburban housing along with the development of transportation facilities needs also to be considered in this connection.



homes were needed in the United States alone. In 1900, out of every 1,000 families in the United States 461 owned the homes they lived in, while in 1920 the proportion had dropped to 456 out of every 1,000 families.<sup>1</sup>

Twenty states and the District of Columbia showed an increase in percentage of home ownership, while the remaining 28 states showed a decrease. The 10 leading states in respect to home ownership in 1920 were, in order, North Dakota, Wisconsin, South Dakota, Idaho, Minnesota, Montana, Utah, Maine, New Mexico, and Michigan. The growth of home ownership lies more in the fringes of cities than in the centers of population. Fifty-five of the 68 cities with over 100,000 inhabitants in 1920 showed an increased proportion of home owners in 1920, compared with 1900, while only 13 showed a decrease.<sup>2</sup>

#### INDUSTRY'S INTEREST IN HOUSING

Industry is concerned with the housing problem, in the first place, as a measure of increasing production and reducing costs. Proper housing makes for a better work force in that it:

1. Attracts a higher personal type of worker;
2. Stimulates health and efficiency;
3. Promotes a stable work force;
4. Promotes contentment and good-will among the workers.

Industry is concerned with the housing problem, in the second place, as a general economic and social program, because proper housing helps to give a community:

1. Higher standards of living;
2. Better health, physical and mental;
3. More wholesome home conditions;
4. Greater thrift and financial stability;

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<sup>1</sup>*How to Own Your Home*, U. S. Department of Commerce, 1923.

<sup>2</sup>*Idem*.

5. Increased civic interest and greater community solidarity.

These conditions are reflected directly in efficiency and contentment of workers and increased buying power on the part of the public.

Housing is of importance to the worker from the financial standpoint in that it is one of the major factors in the cost of living, and thus directly affects the purchasing power of his wage. It is also of importance to him as an economic proposition because of the effect of improper housing in reducing his earning capacity through lessened personal efficiency. A third economic factor affecting the worker is the high cost of home ownership, which often prohibits him from owning his own home even when he desires to do so. Here not only initial costs, but quality of construction and maintenance costs must be considered. These considerations are in addition to those relating to health, comfort, and general standards of living.

#### HOUSING STANDARDS

The minimum standards for adequate housing accommodations include:

1. Suitable location and general social surroundings;
2. Ample size, avoiding internal congestion, with convenient arrangement;
3. Privacy for individual families;
4. Assurance of sunlight and fresh air, with proper arrangement of windows and interior;
5. Sanitation;
6. Protection against fire;
7. Restriction of number of dwellings and type of other buildings in a given district;
8. Provision for yards, and gardens where possible;
9. Provision for playgrounds, and reasonable proximity to recreation centers;

10. Accessibility to schools and churches;
11. Reasonable proximity to place of employment, or adequate transportation;
12. Economy in rentals or in cost of property if ownership by the worker is desired;
13. Permanency of type and quality of construction.
14. Reasonably attractive design.

Certain of these factors depend upon variable conditions. Size of the house, for example, depends, in addition to other requirements, upon the size of family and ownership features. Thus a five- or six-room house has been found to be the smallest unit generally suitable for ownership by workers of family.

#### TYPES OF HOUSING PLANS

Plans for promoting the housing of workers, aside from individual efforts of the worker, are of five general types:

1. Those promoted by the employer;
2. Private housing corporations conducted for profit;
3. Government promoted;
4. Quasi-public corporations for service rather than profit;
5. Those promoted by cooperating groups of workers.

These may exist, of course, in various combinations.

1. *Company Housing Plans.* The two types of company-promoted plans, those in which the property is owned permanently by the employing company and the homes are rented to employees, and those in which the employing company promotes and manages the housing program but sells the homes to its employees, have been followed in certain cases on a large scale. Company-owned houses have developed most extensively in such industries as the bituminous and anthracite coal mining industries, where often the isolation of the mining district, the shifting of the field

of operations, and the dependency of the community upon the single industry make ownership by the worker undesirable or difficult.<sup>1</sup> Illustrative of company-built homes sold to employees, in established or permanent communities, is the Bethlehem steel and similar plans.<sup>2</sup>

Company-owned and promoted homes for employees have sometimes been seriously objected to by labor on the general ground that they bind the worker to his employer. Aside from the general requirements as to accommodations and stable financing, company housing plans, whether on a rental or employee-ownership basis, should not impair freedom of the employment contract, permit intimidation or unreasonable ejection of the worker from his home, or cause money loss to him upon regular cessation of employment. Company housing plans are most feasible for large companies employing a labor force of substantial size in the community.

2. *Private Housing Corporations.* Private housing corporations conducted for profit, constituting as they do private business enterprises in themselves, present many aspects not within the scope of this discussion. They are of significance to industry, however, in that industry is interested in their meeting legitimate housing needs in a proper manner at a fair profit.

3. *Public Housing Aid.* Housing has come to be recognized as a problem of community interest requiring public attention as well as a matter of private and personal concern. Active public interest has assumed two phases, government participation in housing programs, and legislative regulation of private housing.

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<sup>1</sup>See "Company Housing in the Anthracite Regions of Pennsylvania," by Leifur Magnusson, *U. S. Monthly Labor Review*, May, 1920, pp. 186-195; "Company Housing in the Bituminous Coal Fields," *ibid.*, April, 1920, pp. 215-222.

<sup>2</sup>See *American Woolen Company Homestead Association, Home Building Plan for Employees*, published by the Association, Boston. Also see plans of the Bethlehem Steel Company, Standard Oil Company of New Jersey, and others.

The first of these has thus far been restricted in this country largely to the impetus of war emergency, as in the housing programs of the Federal Government, inaugurated in 1918 in connection with shipbuilding, munitions, and other industries essential to the national defense, and exemplified in the formation of the Bureau of Industrial Housing and Transportation in the Federal Department of Labor, and the creation of the United States Housing Corporation, through which the funds of this bureau were handled.<sup>1</sup>

The public, through state and municipal activities, has exercised the prerogatives of both stimulative and restrictive legislation applied to housing. This legislation has dealt with such matters as minimum standards, as, for example, in sanitation and fire hazards, zoning, financing, profits, taxation, and the relations of landlord and tenant.

Illustrative of permissive state legislation is the Wisconsin law of July, 1919, permitting municipalities to engage in housing, and private persons to form cooperative housing companies.<sup>2</sup> Some states, for example New York and New Jersey, have made provisions for the exemption from taxes, under given conditions, of capital invested in housing, and several others have provided for the use of state credit in the building of homes.<sup>3</sup>

Restrictive legislation, based upon public interest and the police power of the states, is illustrated in the New York State acts of 1920 dealing with the relations of tenant and landlord, and restricting the right of the landlord to fix rents and to evict tenants. Some states, such as Wisconsin, have created rent adjustment commissions with broad jurisdiction over rates, leases, damages, and prosecution

<sup>1</sup>See Frederick L. Olmsted, "Lessons from Housing Developments of the United States Housing Corporation," *U. S. Monthly Labor Review*, May, 1919, pp. 27-38; U. S. Shipping Board Emergency Fleet Corporation, *Report of United States Housing Corporation*; "Housing Development as a Post-War Problem in Canada," by Thomas Adams, *U. S. Monthly Labor Review*, July, 1919, pp. 248-255.

<sup>2</sup>See "Municipal and Cooperative Housing Law in Wisconsin," *U. S. Monthly Labor Review*, September, 1919, pp. 351-353.

<sup>3</sup>See *U. S. Monthly Labor Review*, May, 1921, pp. 6-9.



for non-compliance. The courts, including the United States Supreme Court, on March 20, 1922, have upheld these acts.<sup>1</sup> Action on the part of the Federal Government affecting the states is represented, outside of war emergency, in the Report of the Senate Committee on Reconstruction and Production on the building industry, in which it makes recommendations, among other things, toward the attraction of capital and furthering of credit in the building of homes.<sup>2</sup>

In other countries the participation of national governments in the promotion and control of housing programs has in some cases been quite pronounced. It includes the providing of loans and other assistance to non-commercial housing companies and cooperative societies. Among the most significant of these are the Housing Acts of Great Britain of 1919 and 1920 by which the National Government, through the Ministry of Health, was empowered to finance and control local housing programs, subsidize private enterprise, and carry on its own housing program with power to assess the locality benefited.<sup>3</sup> Queensland also has a definite system of state aid to workers in the direct purchase or construction of homes.

4. *Unofficial Quasi-Public Aid.* Housing activities of a public, though not of an official character, are represented by housing corporations not conducted primarily for profit and by such organizations as local and state chambers of commerce, and others. Of the first type is the Chicago Housing Corporation, incorporated, in 1919, for the purpose of improving housing conditions among industrial workers and encouraging workers to own their own homes.<sup>4</sup> Community housing companies, such as the City Housing Cor-

<sup>1</sup>See *Supra.*, pp. 1-6, with references

<sup>2</sup>Reported in *U. S. Monthly Labor Review*, June, 1921, pp. 96-100.

<sup>3</sup>For description of the British Housing Act and other European governmental housing activities, see *U. S. Monthly Labor Review*, August, 1920, pp. 144-167; also *ibid.*, May, 1920, pp. 195-196, and subsequent issues.

<sup>4</sup>See "Constructive Housing," *The Survey*, August, 1919, p. 674.

poration of New York and the Akron Home Owners' Investment Company are other examples. The activities of the Housing Bureau of the Pennsylvania State Chamber of Commerce, organized as a general advisory clearing-house for information on housing, the Pennsylvania Housing and Town Planning Association, and the National Housing Association are among the leading unofficial public agencies directed toward the betterment of housing conditions.

5. *Workers' Housing Movements.* Cooperative organizations on a large scale among wage-earners for the promotion of housing are as yet generally undeveloped in this country, although some labor unions, such as the needle trades in New York City, have started plans for the cooperative housing of their members. Initial municipal ownership, followed by later purchase through copartnership societies, has been successfully adopted in Europe. England has also seen the formation of building guilds in the building trades, with, on the whole, rather unsatisfactory results. In addition to the expressed purpose of building homes for others or for those active in the movement, these guilds had at times as a by-product the securing of employment for the workers within the unions.<sup>1</sup>

#### GENERAL PROBLEMS OF HOME OWNERSHIP

Home ownership among wage-earners, with the economic and social stability that accompanies proprietorship, is a foremost problem today. This question is all the more important because rented homes have not in the past been designed to combine the advantages of economy, permanency, and adequate standards of living. Freedom of the family from undue restrictions affecting the employment relationship is at the same time a prime requisite. Just what form home ownership should assume, whether it be

<sup>1</sup>For illustration see description of the home-building experiment in Manchester, England, *U. S. Monthly Labor Review*, June, 1920, pp. 201-221, and August, 1920, pp. 156-157.

direct ownership by the individual in the usual sense of the term or a form of copartnership, may well depend upon particular conditions.

The problem of finance when the individual must utilize his own resources and does not possess the full amount necessary for the project is an important one which presents many difficulties at the present time. Among the possible sources for securing aid are the legitimate building and loan associations. In this connection the United States Department of Commerce has the following to say:

Building and loan associations will, in many cases, prove the best means of financing a home, for they are often able to loan as much as 70% to 80% of the real value of a home, which is generally above the limit allowed by law for savings banks and insurance companies. Such a loan, therefore, may avoid the added complications, disadvantages, and expenses that may be involved in case both a first and second mortgage are required. Building and loan associations are often especially helpful in providing means of financing during the construction of a new home. They are usually organized with the chief aim of assisting home buyers and home builders. Their system of selling shares on which payments must be made weekly or monthly has proved an invaluable aid to hundreds of thousands of future home buyers in accumulating savings, and furnishes a sound and helpful scheme for paying off the principal of loans.<sup>1</sup>

There are, of course, other legitimate methods for financing the building of a home which assist the individual of responsibility.

The cost of home ownership today has transcended questions of individual rights and individual resources. Aside from matters of personal convenience, such as amortization, and the like, two problems require attention: safety of investment, and reasonable economy.

The question of proper safeguards involves such matters as the adjustment of total outlay according to the purchaser's means, the matter of title, dealing with responsible parties, proper contracts, and quality of construction

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<sup>1</sup>See *How to Own Your Home*, U. S. Department of Commerce, 1923, p. 8.

according to expenditure, all of which are too frequently the source of regret for the inexperienced home owner today.

The question of economy on direct cost involves such factors as the cost of money, land, materials, labor, contractors' services, building-code requirements, assessments, and the like. That many of these factors require excessive expenditures nowadays is quite apparent.

A factor related to both safety and costs, but of such general significance as to warrant separate mention, is that of quality of construction. A considerable portion of housing construction going on in this country at the present time is distinctly inferior. Buildings of such construction depreciate very rapidly, incurring loss to owners, increased rents, and the like. Not only the quality of materials, but the character of workmanship and contracting skill that go into the building are in many ways of more importance even than the direct cost of labor and materials.

Such inferior construction, adding to high unit costs of putting up the buildings, operates to increase the high cost of living and, in turn, affects the standard of living of the workers themselves, and has a retarding effect upon the community. Such conditions often prevent even the industrious and thrifty workers, whether in the building or other industries, from becoming home owners. Sooner or later the dire results of depreciation accruing through inferior construction must make their appearance, and the effect that they have upon economic stability of the country will be conditioned by the extent and degree to which such construction takes place. This problem is a serious one pertaining to the building of homes and home ownership.

#### SUMMARY

Six fundamental things must be done, however, before satisfactory results can be accomplished in housing for the tenant or home owner:

1. The arousing of an active and wide-spread public interest in the problem, creating an enlightened public opinion;
2. The development of adequate methods of financing;
3. The elimination of undue speculative land values and structural promotion in appropriate residential areas;
4. The maintenance of proper building costs, both initial and maintenance;
5. Reasonable public protection of the wage-earner whether he buys, rents, or already owns;
6. Adequate independence from the employment relationship.

The exact steps necessary to bring about these favorable conditions may be varied, according to the needs in each locality or state. Some localities, for example, may secure adequate financing for building projects through public-spirited private enterprise, while others may require the extension of state credit and protection from exploitation. State recognition and support in its various forms, however, is of increasing significance, as indicated in the Calder report recommending a federal home-loan banking system. Above all, education of the public as to housing needs, housing standards, and sound methods of carrying on housing programs is a problem of both public and private concern on a national as well as local scale.

#### TRANSPORTATION

Correlated with the problem of housing is that of transportation systems. Adequate transportation systems lessen the tendency toward congestion near industrial centers. While occasionally individual plants may be able to arrange satisfactorily for the transport of their workers to and from their homes, yet a community's transportation system is essentially a matter of public interest and attention.



Individual plants of large size, and industries working together, however, can do much to make transportation more effective and economical, if they will intelligently cooperate. Staggering of working hours for different groups of workers within a plant or between plants in the same locality, so that all workers do not go to and from work at the same time, is an illustration of cooperation on the part of industry that is both feasible and effective in mitigating transportation and housing difficulties.

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LABOR RELATIONS IN INDUSTRY

PART VII

FOCAL PLANT RELATIONS



## XXIII

### THE PLANT DEPARTMENT OF LABOR RELATIONS

Administration of labor relations within the plant a distinct function in industry. Specialized management and centralization of activities required. The functions of a department of labor relations. Its relation to foremen and department heads. Executive council on labor relations. Place of the department in plant organization. Qualifications of the labor manager. Relation of general to technical qualifications. General relations. Difficulties under which the labor manager works.

THE administration of the employment and well-being of labor in modern industry has come to be recognized as a distinct and important function of management and one that should be accorded its proper place in the administrative organization of the individual plant. While perhaps less than 100 companies in this country have executives of high rank in charge of labor relations in a comprehensive way, a large number have the general features functionalized, and many more have some phases centralized. There are also numerous groups or associations of employers designed primarily for the handling of labor relations.

The utilization of human resources within any business organization requires just as uniform and consistent a policy as the technical problems of finance and production or of service to the public. The results secured through the thoughtful plant administration of human relations are twofold: first, elimination of financial wastes and losses in production, and, second, promotion of the well-being of the workers. In fact, these interests go hand in hand.

The problem is one of mutual relationships. Both the organization and the individual have standards of attainment that must be met. The whole superstructure of the going organization, however, rests upon the individual

worker as the basic unit. If he does not work to the best advantage for all concerned, there will be a break somewhere, sooner or later. Within the plant the individual is thus, in the final analysis, the basis for consideration, for the well-being of the group depends upon the well-being of its individual members. Man-power has come to be the variable factor of chief importance in production, and more and more the differential in favor of any undertaking requiring a body of personnel is being measured by the degree of efficiency and contentment of its workers.

#### SPECIALIZED MANAGEMENT AND CENTRALIZATION OF FUNCTIONS REQUIRED

The administration of policies affecting labor, as well as thoughtful advice and counsel in formulating them, requires specialized management possessing the necessary qualifications to deal with the human relationships and having the time necessary to care for their administration from day to day. This function of management requires a trained staff and specially adapted machinery.

The department or agency dealing with these problems thus becomes the special administrative or staff medium through which the company promotes and coordinates, from the standpoint of management, all matters pertaining to labor relations within the company and with the public.

When the company is not large enough to justify a separate organization for this purpose, definite arrangements should be made to utilize existing administrative machinery within the organization.

1. *For Effective Coordination of Policies within the Company.* First of all, then, the necessity for coordinating within the plant the various policies and factors pertaining to labor relations requires not only that specialized attention be given these matters, but that their control be placed



under a definite system of management. While absolute uniformity or standardization of such relations throughout a given plant is often undesirable, proper articulation of the various activities, even though uniform procedure may not be desired, can be secured only through centralized channels of administration.

*Coordination of effort under one head is as necessary in caring for the mutual interests of the worker and of the organization as it is in handling the material or financial end of the enterprise.* In fact, a concerted policy in the plant administration of labor relations is necessary not only in order to realize the various aims of any labor program that may be adopted, but also to reach the objectives to which the technical activities of production and finance themselves are applied.

2. *For Effective Cooperation with Outside Agencies.* Likewise, effective dealing by the company with outside agencies, both private and public, can be secured only through a single department responsible for administering labor matters and coordinating them within the organization. The development of a proper labor supply, with due consideration of the interests of both the plant and the community, is a case in point. Cooperation with the various governmental agencies in labor legislation, and the like, presents another important phase of outside relations to which careful attention must be given.

3. *For Effective Handling of Individual Problems Themselves.* Again, economical and proper administration of the individual problems, such as selecting and training of workers, transfers and promotions, dealing with disputes, terminations and cooperative management in general, requires special handling.

One of the greatest handicaps to production, for example, and one which also causes much loss both to workers and to employers, lies in securing and placing employees with-

out careful plan or thought as to the workers' qualifications and the desirability of the work from this standpoint.

4. *For Definitizing Responsibility.* Only by placing the various duties under the direction of a responsible executive does it become possible to *definitize responsibility*, which is an obvious function of management under the conditions of modern industry.

#### THE FUNCTIONS OF A DEPARTMENT OF LABOR RELATIONS

The activities of the department of labor relations, therefore, bear upon the policies of the general management, the daily contact of the minor executives with the workers, direct contact, both formal and informal, with the workers on appropriate matters, relations with the outside public, and the various interrelations of these several activities. Appropriate channels of dealing, of course, must be developed in each case, and with due regard to the activities of all agencies concerned.

Some of the more special functions which the department of labor relations should perform may be summarized as follows: To promote, in general, fair terms and conditions of employment; to develop sources of labor supply that will provide an adequate number of competent employees; to help determine working-force requirements and stabilize the labor and production requirements; to direct the selection and placement of employees in the jobs for which they are best fitted; to exercise general control from the standpoint of management over questions of transfer, promotion, discharge from the plant, and other adjustments affecting employee relationships; to help determine and to direct the administration of wage systems; to administer the work on accident prevention, health, and sanitation; to supervise training; to plan housing and transportation, and the like, from the standpoint of the company; to advise with the department heads concerning their labor

problems and furnish them with information on labor conditions; to advise on and direct, in proper relation with the other major executives, the policies on cooperative management between the employer and the workers; and, in general, to act as the central agency within the organization for dealing with all matters between the management and the workers. What particular plans and machinery should be employed in a particular instance in administering each of these functions depends upon local conditions.

*Foremen and Department Heads Must Retain Proper Authority within Their Departments.* In administering the work on labor relations through a single coordinated department, care must be taken, as in the general determination of policies, that the department heads and foremen are given adequate voice in affairs pertaining to the work of their departments. In the final analysis, the function of the department of labor relations is to see that the various activities in labor matters are satisfactorily cared for, rather than to assume complete responsibility for their detailed administration.

*Executive Council on Labor Relations.* A fundamental policy is to maintain an executive council or cabinet to discuss the interrelated problems of labor and production. This cabinet should be composed of executives in charge of the technical problems of production, the manager of labor relations, and the executive in charge of the problems of general control. It should function to coordinate the various phases of labor administration with the operating departments.

*Chart of the Relations of the Department to the Plant Organization.* What the general relation of a well-developed department of labor relations to the general organization of the plant as a whole may be, is indicated in the chart on the following page.

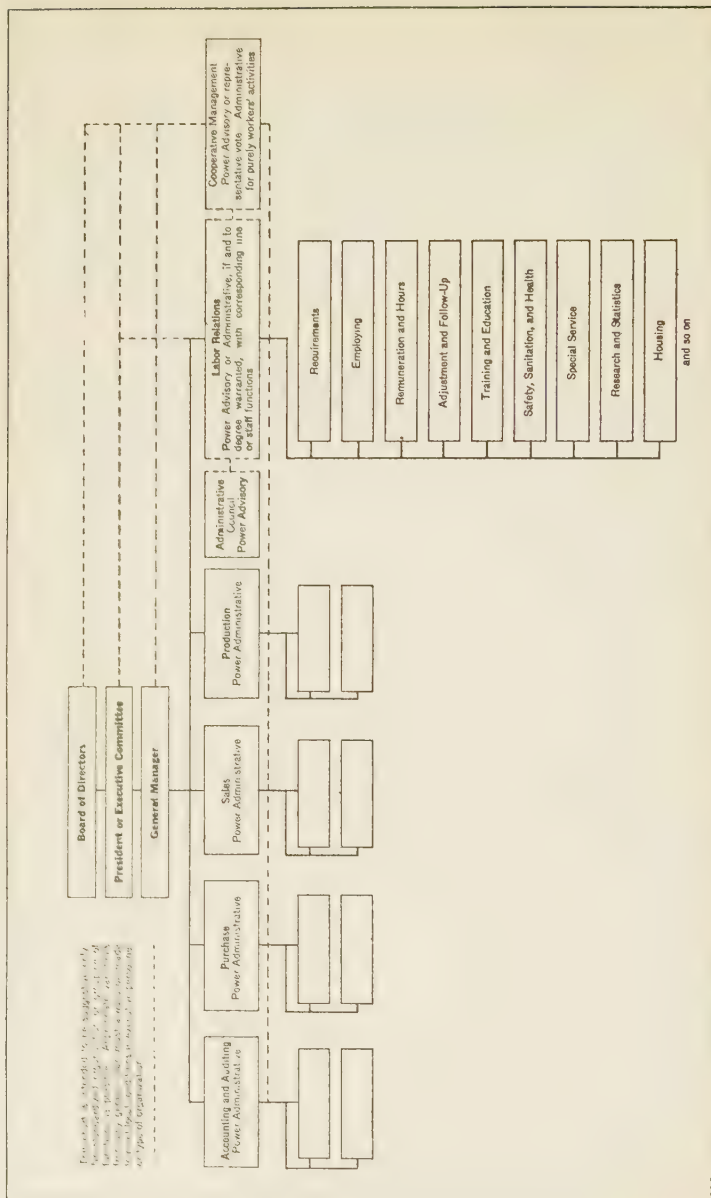


Figure 4: General organization chart on labor relations.

This chart is intended to be suggestive only. No standardized organization or grouping of functions is suggested. Appropriate variations from any general plan to meet local conditions in executive personnel or type of organization

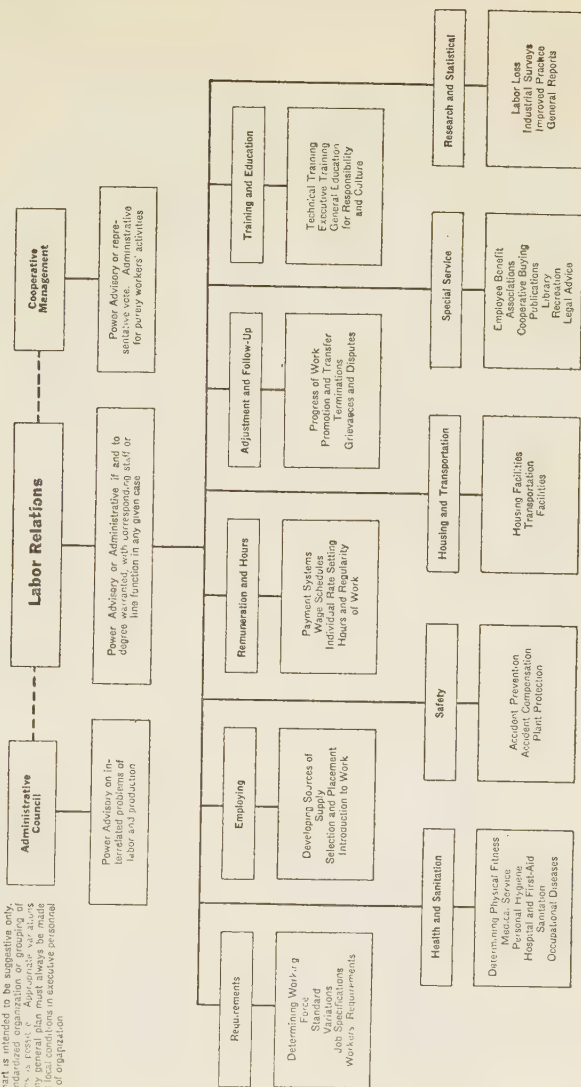


Figure 5: Chart of internal organization and functions on labor relations.



*Internal Organization of the Department.* The internal organization and functions of the department of labor relations are indicated in the chart on the preceding page.

*Place in the Organization.* Generally speaking, the person in charge of the labor department should hold a position of equal rank with the executives in charge of the other major departments of the organization and should be responsible only to the general executive officer of the company. It must be remembered, however, that the biggest job of the labor department is to get things done well rather than to do them itself. In all cases the function of the department is that of giving counsel and advice, with the exercise of appropriate administrative authority, rather than of assuming arbitrary control. In fact, any other attitude on the part of the department toward the rest of the organization will sooner or later meet with failure. There should be no arbitrary exercise of authority by the labor manager, and his attitude must be that of one who is selling service, and not attempting to get results by command. The ultimate success of the department will depend in large measure upon the company's policies and its attitude toward the workers.

#### QUALIFICATIONS OF THE LABOR MANAGER

The labor manager himself must be an executive of the highest caliber. In addition, it is desirable to note certain personal traits that he should possess. These are:

1. *A judicial temperament*—sense of propriety and ability to see and hear both sides of questions without committing himself too much, yet be sympathetic—presence of mind rather than dignity is required, although a certain amount of dignity, of course, is a desirable trait.

2. *Executive ability*—the position requires that he be able to "direct people." Sometimes the exercise of this function may be direct, sometimes indirect. This trait

must be combined with appreciation of, and aptitude for, organization.

3. *Good mixing ability*, combined with due reserve, and ability to win and retain confidence of those with whom he comes in contact, both employer and employee.

4. *Industry*—energetic and persevering effort combined with initiative and ability is essential.

5. *Open-mindedness*, combined with ability to see things in broad aspects and willingness to learn, but, at the same time, ability to exercise independent action, and strength to stand by convictions.

6. *Analytical ability*—power of analysis for things big and small.

7. *Foresight*—ability to see and foresee important things under varying conditions, and their possible outcomes.

It is apparent, of course, that his appearance and manner (facial expression, bearing, voice, mode of address, and so forth) should be agreeable, but too much stress should not be laid on these points, as the man is supposedly permanently located and should be one who can "wear well" rather than one who can just make a fine "first impression."

Character-reliability, freedom from objectionable personal habits, and the like, are, of course, necessary, as well as sufficient general intelligence to meet the requirements suggested.

It is assumed that the man has a good conception of the work in hand or that he will be definitely trained to it; also that he has had industrial or executive experience of an appropriate character. He should also have sufficient familiarity with all the operations performed in the plant to enable him to act from a knowledge of facts of the work itself as well as from a consideration of human values.<sup>1</sup>

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<sup>1</sup>See also *Handbook on Employment Management*, U. S. Shipping Board Emergency Fleet Corporation Bulletin, 1918, No. 1, upon which portions of this discussion are based.

Which of these requirements should be stressed for any particular plant, or in what combination they should be sought, depends on the local conditions, although a person would be at a distinct disadvantage if he did not measure up reasonably well to each of the requirements mentioned.

#### RELATION OF GENERAL AND TECHNICAL QUALIFICATIONS

It is naturally difficult to find men who measure up to all of these requirements. Where difficulty is experienced, usually it is desirable to select a man who meets the broader requirements and arrange for him to develop the more technical qualifications. It is much better and requires less time and expense to teach an experienced, well-trained labor manager, with the desired personal traits, the necessary details of plant technique in order to qualify him for his particular work than to take a man who knows all about materials and processes and to teach him the principles of modern labor management and to develop within him the personal qualifications necessary to handle men if he does not already possess the native requirements. He should have, in any case, sufficient industrial background to command respect for his position. Of course, if both the general and technical qualifications can be secured at once in the same person, it is all the better.

At basis the labor manager is an interpreter of human relationships, and, if he does not possess this quality in its fundamental phases, he cannot succeed in this work.

#### GENERAL RELATIONS

It is obvious that the management should act only upon the prompting of real desire, in the installing and maintenance of a labor department. Likewise, the foremen and other department heads and the workers should be given a clear understanding of the position, scope, and advantages of the work. The cooperation and support of the general

management toward the activities of the department should be made clear by the management itself.

Once these matters are recognized, the job then falls upon the labor manager. He must establish cordial and effective relations between his department and the foremen and department heads, the workers, and the general management, bringing all together in the proper relationships.

#### THE DIFFICULTIES UNDER WHICH THE LABOR MANAGER WORKS

The preceding discussion indicates in a general way the possibilities, scope, and limitations of the labor manager's activities. There remains one other point that should be recognized by both the general manager and the labor manager himself. After all, many of the chief assets of a department of labor relations are more or less intangible in nature. The greatest service performed is *intangible*—that of promoting good-will. Sometimes the value of this good-will can be determined concretely, sometimes not. Often, the labor manager, irrespective of his own abilities or disabilities, finds himself in the paradoxical position of being blamed, on the one hand, for labor troubles when they occur and of being considered, on the other hand, an unnecessary adjunct to the organization where there are no acute labor difficulties. This situation, together with the subjective nature of his service, places him, if he be associated with an employer who is inclined to consider only the most tangible assets of his organization and those only from day to day, in a very perplexing position.

These conditions are specially prone to manifest themselves in periods of business depression, when those who render personal or intangible service are most likely to be adversely affected first. In fact, the history of the movement shows this tendency quite clearly. The foresighted employer, however, will recognize that good-will among his employees, just as good-will on the part of his customers,

is one of his greatest business assets apart from the moral and social factors involved, and that it must be continuously and thoughtfully cultivated irrespective of the presence of visible labor difficulties or the existence of general business depression.

It is evident, therefore, that an indispensable and major phase of management is the centralizing of responsibility and the maintenance of specially adapted machinery for developing and coordinating labor relation policies within the plant and for properly relating them to conditions at large. This is necessary both for the promotion of goodwill among employees and for administrative efficiency.

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## XXIV

### PERSONAL ANALYSIS

Importance of personal analysis in selection and placement. Mutual obligations of employer and worker. Considerations from the worker's standpoint. Methods of personal analysis: (1) general observation, (2) tryout on the job, (3) the interview, (4) trade tests, (5) mental tests, (6) self-analysis. Routine versus constructive abilities. Interest and incentive. Length of service. Promotions. Personal analysis in relation to wages. Administration.

CAREFUL analysis in the selection and placement of the worker prevents many of the problems that otherwise arise among the working force. Hiring or placing workers in jobs for which they are not well suited results often in poor work, spoiled materials, failure to make maximum use of equipment, dissatisfaction on the worker's part, and frequent dismissals and quits. Sometimes it is a question of placing the worker on one job instead of on another because he is better adapted for the former, and not a question of hiring or not hiring. Then, too, even though the worker is regularly employed and still on the job, if he is not fitted for it or it is not adapted to him, he finally will lose interest in his work. In any case, the effective effort of the working force is reduced. These conditions seriously retard production and make for definite financial loss both to the company and to the worker. Again, repeated hiring of men to replace others who have left their jobs causes an endless round of waste. Failure to keep the proper number of men on the pay-roll also goes hand in hand with unnecessary replacements in further increasing waste and also in the general loss of man-power.

These conditions are to a large extent avoidable, as they are in many cases, among other factors, due to misplacement of workers. Selecting the right worker and placing

him at the right job becomes, therefore, one of the most important factors in the solution of these problems.<sup>1</sup>

#### OBLIGATIONS OF BOTH WORKER AND COMPANY ARE MUTUAL

At the outset, it cannot be overemphasized that the process of placing workers involves not merely the acceptance of the applicant for the job, but also the intelligent acceptance of the job by the applicant. When the company offers the worker a job and the worker accepts, that worker has made an investment in the company just as truly as the company has made an investment in the worker. The relationship from then on is mutual, and the obligations likewise are mutual. The employing and placing process should be made a means of promoting better adaptation of workers to the work to be performed in industry and of the work to the workers, rather than the elimination of workers from employment. This makes specifically for greater production and the mutual advantage of all concerned.

Broadly speaking, there are six considerations from the worker's standpoint, according to which his case should be judged by the interviewer and himself:

1. The remuneration he receives;
2. Real opportunity to do the work;
3. His relative position in the organization;
4. His possibilities for the future, or opportunity for promotion or placement elsewhere if desirable;
5. Working conditions and surroundings;
6. Relation of plant to home, and general social advantages.

#### THE FUNCTIONS OF PERSONAL ANALYSIS

Personal analysis has two objectives: (1) to determine the worker's proficiency or qualifications for work, and (2) to determine the worker's requirements, or what he has a

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<sup>1</sup>Adapted from *Handbook on Employment Management*, U. S. Shipping Board Emergency Fleet Corporation Bulletin, 1918, No. 3.

right to claim. Personal analysis, or the determining of the individual's abilities and other traits, is thus related to job analysis. It also enters into the problems of placement, follow-up, and adjustment in their broadest sense, not only from the standpoint of vocational guidance, but also the general economic and social relations of the worker.

#### METHODS

Six general methods or combination of methods may be employed in personal analysis. The way in which these methods are employed and the ends to which they are put, though often quite obvious of themselves, determine largely the success of the individual phases of the efficiency and contentment of workers, except in so far as these results may be secured through chance. The methods are:

1. *General Observation.* In this the individual is observed as to his behavior and as to the performance of his work, with little or no mutual discussion or specific analysis. Obviously this method is of value in determining general behavior. Being solely objective it often fails to determine causes or specific factors involved in a case.

2. *Tryout on the Job.* This is essentially a test by results. It may be used with resort largely to trial and error on the part of the worker, which method in conjunction with that of general observation has far too often prevailed. Tryout, however, may be employed under carefully controlled conditions and intelligent guidance, in which case it becomes of great value with respect to determining proficiency. It has the disadvantage, of course, of not being expeditious in the initial selection of employees.

3. *The Interview.* The interview may take the form of (a) a general unorganized discussion, (b) careful cross-examination according to organized body of facts, or (c) the application of the rating scale. It is evident that of

these the second and third are the ones that may be employed to most advantage. The interview, when properly organized, should get at facts and their adequate interpretation, be sympathetic in nature with due reserve, and give the worker the opportunity to determine the appropriate facts regarding the work and its possibilities and opportunities in their broadest sense as well as to enable the company to get the essential facts regarding him.

Rating scales, properly prepared and carefully used, are of distinct advantage, and are coming to be more and more generally applied. In general, several important points need to be borne in mind in their use. First, they must deal with the proper traits with regard to the work in question and the individual's requirements. Second, they must be employed with care and only after knowledge, in so far as it is practicable to secure it, of the essential facts. Third, it is usually better to employ relative rather than absolute standards, taking certain individuals as concrete illustrations of the several degrees of proficiency or merit in each trait and judging the person being rated according to those standards rather than according to the theoretically ideal or perfect. Fourth, the greatest value often lies in the frame of mind and habit of analysis that they promote in the person making the analysis and in the qualitative information secured rather than in the numerical results that may be derived. This fact does not diminish the value of numerical or objective data, especially for comparative purposes and standardization of essential requirements, but it emphasizes the need for and the advantage of careful analysis as prerequisite to the use of any data that may be secured.

4. *Trade Tests.* Among the recent developments in scientific methods of selection, placement, and follow-up in industry are the trade tests. These tests are based upon the actual performance of operations involved in doing a given task either directly or by discussion of points involved in

these operations. They serve as an aid in determining skill in specific tasks.

There are three accepted methods of giving trade tests:

(a) *The oral method*—in this case key questions involving the operations to be performed are given the applicant as an aid in getting desirable information regarding his experience and skill.

(b) *The photograph method*—in this case some of the component parts of the work to be performed, or the tools of the trade under question, are displayed and the applicant is asked to identify them and to state what they are used for in the particular tasks.

(c) *The performance method*—in this case the worker is given certain tools and materials and is asked to perform a certain piece of work just as in the regular process of production.

It is apparent that the success of such tests depends on their being prepared and given with the greatest care. Among the more important requirements are: that they be rigidly standardized on the basis of the product of known experts as compared with the product of persons not skilled in the given tasks, and be judged by competent persons; that the time required for doing them be as brief as possible; that the essential elements of the task be used, and with as much simplicity as possible; that points be used on which one cannot be readily coached; that they be so arranged that one cannot pass them through mere book knowledge of the subject; and that the worker's degree of skill in the tests can be readily scorable from the product itself and dependent as little as possible upon merely the observation of the one who gives the test.

In addition to these requirements, there are several other considerations that must always be borne in mind; first, that the test should be related to production work proper, and based as little as possible on miniature reproduction of



the parts of the job; second, that the applicant be given not only the opportunity to show his acquired ability and experience for the work, but also a reasonable chance in some appropriate way to show his ability for acquiring further skill in the work; third, that the tests be closely correlated with training work; and fourth, that they permit the worker's being placed on the pay-roll with reasonable dispatch at his proper rate of pay.

The introduction and use of these tests obviously presupposes that adequate organization and machinery for the regular employment work have been established, in order to insure proper administration of the work. Furthermore, it is essential that they be administered by a trained personnel acquainted not only with the technique of such tests, but also their proper allocation in the process of selection and placement of workers.

It cannot be noted too prominently that the most fundamental principle involved in selection and placement is to utilize those methods that will make for the better adaptation of workers to their jobs rather than the exclusion of workers from employment. The pressing problem is to help the worker to become placed in the position that enables him to give forth his efforts in productive employment to the best advantage of himself and industry. Negotiations between him and the employer, therefore, involve this underlying principle, which should be considered very carefully in relation to any particular job for which the worker may be considered.

It is not sufficient merely to determine the worker's acquired skill in a specific task without consideration of his general adaptability for the type of work that a given trade requires, in order to form a basis for judging the advisability of his pursuing definite training for that line of work as compared with other possible lines of work.

If the worker applies for a position and is trade-tested, assuming that the trade tests are only tests for degree of acquired skill, one of two things can happen: (a) he passes,

or (b) he does not pass. There are certain gradations, of course, as to the particular degree of skill shown.

(a) If it is assumed that the worker passes the test for acquired skill, it might be bad both for production and for the worker himself for him to be placed on that given task, because of the fact that he might be very much better adapted for another type of work. To illustrate, a person might pass with a very high mark a trade test as boiler-maker, but it might be much better for him to become a mold loftsmen.

(b) If he does not pass, what shall be done so far as the trade test is concerned? He might within six months or a year later be a very much better worker in the specific task for which he was trade-tested for acquired skill than many workers who might pass the same test for acquired skill. Again, he might be very well adapted for another line of work in the same plant.

Without knowledge, therefore, of the worker's relative aptitude for several possible lines of work, the value of the information, however correct it may be, as to his acquired skill in a given task becomes limited. There is danger of placing too much emphasis upon what are known as trade tests or any other means for determining acquired skill only. Granted that trade tests determine the degree of acquired skill that the worker possesses in the given task, they can be used only as one among the various aids in getting as much desired information about the worker as possible. In so far as the trade tests may throw light on the worker's general adaptability, in addition to acquired skill, for a definite line of work either for immediate placement or for training along that line of work, or are used along with reliable information as to his general ability and special aptitude, they become of increasing value.

5. *Mental Tests.* Mental tests deal with inherent ability or aptitude, as contrasted with acquired skill. They are of two types: (a) tests of general ability or general intelli-

gence, and (b) tests of special aptitude or special ability. The first type has to do with general ability to learn or to adjust oneself.

Tests of the second type, namely, those for determining the person's ability to learn a special trade or occupation, with one or two exceptions do not exist today.<sup>1</sup> Sometimes in the use of mental tests error has arisen in describing certain tests as tests for special abilities on which they had little or no bearing. Nobody is quicker to recognize this fact, however, than the responsible psychologist. In so far, however, as general intelligence enters into the performance of particular tasks, the tests of general intelligence are of value in determining ability to perform those tasks. Thus tests in general intelligence, dealing as they do with the general ability to learn or to adapt oneself to given situations, may aid in selecting the intelligent and adaptable worker who probably could make good at a number of positions if given a reasonable time and opportunity to adapt himself. Tests for specific abilities are gradually becoming developed and may become of much greater service in the future.

Tests of general intelligence, employed by responsible persons, have been used with reasonable success. The outstanding illustration is their employment in the classification of the personnel in the army, but they have also been used to advantage in private pursuits.

Generally speaking, the value of mental tests, at least in their present stage of development, would seem to lie particularly in: (a) determining the general intelligence of reasonably large groups rather than of particular individuals, thus eliminating as far as possible the danger of such individual factors as illness, worry, and the like, that vitiate the results; (b) selecting the individuals who do well rather than those who do poorly or just average, in view of the fact that after the tests are properly constructed

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<sup>1</sup>Professor Seashore's *Tests of Musical Ability* are the outstanding exceptions. Tests for stenographic ability also are being used with reasonable success.

and given the person who does well must have ability, but those who do not do well may still have ability; and (c) the method of analysis, and habit of thinking, required of the person who is making the analysis, if the tests are properly conducted.

Several other factors also need to be borne in mind. Tests of general intelligence should be carefully constructed for intelligence rather than for literacy or schooling. Again there are apparently subjective traits that cannot be adequately tested, and latent abilities and undeveloped or at least unexpressed interests which cannot be or may not be tapped at any given time. These facts force the conclusion that mental tests are not conclusive within themselves as to the person's entire mental make-up, but that, if they are properly constructed and employed with careful control of conditions, they may be of distinct aid in personal analysis.

Among the needs as yet unsatisfied are definite methods for analysis of character and temperament. The importance of these factors in any system of personal analysis is apparent, as after all they may be the determining factors making for success or failure. As yet, however, definite tests in these regards have not been found, and the methods of analysis are confined to observation and inquiry.

6. *Self-Analysis.* Among the newer methods of analysis receiving scientific formulation and control is that of self-analysis. In general the procedure here is one of carefully prepared questions or tests to be taken by the individual himself according to special instructions and under controlled conditions. The great advantage of these tests is that from their very nature they tend to bring out the subjective and personal factors which extraneous methods, however good they may be in themselves, cannot get at. Again, the frame of mind in which the person acts in the process of self-analysis is much more conducive to natural spontaneity of effort at maximum efficiency than is usually the case with other types of tests, in that here the person

is performing the analysis himself rather than being made the subject upon whom some one else is performing, with the accompanying artificial atmosphere frequently present. They are, of course, dependent upon the honesty of the person taking them. While they are just an aid, still they may be made to be of very distinct value as an indispensable method of analysis for the determination of factors that are impossible to secure otherwise.

#### ROUTINE VERSUS CONSTRUCTIVE ABILITIES

An important problem arising in any attempt at personal analysis is that of determining the relation of routine as contrasted with constructive abilities and ascertaining the existence of each type of ability in particular cases. There has been a rather wide-spread assumption that the same individual does not possess both a high measure of efficiency in routine work and a high measure of constructive ability. Observational investigation, however, indicates that "a high measure of initiative may coexist with a high measure of routine efficiency." The question raises many interesting problems for the employer and the worker.

It means that the employer must always, in fairness to himself and to the workers, thoughtfully study each individual worker in his employ to see if he is getting a fair chance. If constructive ability and skill in routine work can develop hand in hand, then the person efficient in routine must be given every opportunity to exercise "creative" imagination.

From this standpoint the employer should plan, in so far as practicable, to hire enough—and only enough—men of initiative and high ability to fill those permanent positions in which it is desirable to have employees who possess these traits of constructive ability. He should leave the remainder of the positions to be filled with workers of routine ability, or provide proper outlets for those of constructive ability who are performing routine tasks. The man of



initiative will not be satisfied to remain at a routine task, although he may be good at it and although it may be desirable for him to start on such work.

It is desirable, therefore, to determine: (1) what jobs involve routine ability only; (2) what ones involve routine ability but can be considered avenues of training for work requiring initiative, or involve limited initiative and are stepping-stones for better ones; and (3) what ones require definite initiative at the start. Then proper analysis of the individual's traits must be made in order to determine his qualifications and personal requirements in relation to the character of the job and the nature of abilities required in its performance.

The problem begins with the selection of the new worker and the immediately related problems. One cannot always judge with any degree of accuracy the various possible types of work a new employee can best do; nor can one judge to what degree of efficiency the employee can later develop in any single given type of work, granted that he is placed in the proper line of endeavor. In some instances, of course, one can tell the proper type of work in which to place a person, with a good idea of his ultimate success. To the experienced interviewer, applicants fall into three classes, so far as the interview at the time of schedule is concerned, namely:

1. Noticeably objectionable
2. Noticeably desirable
3. Noticeably indeterminable

There are, of course, border-line cases: Groups 1 and 2, comparatively speaking, can be readily disposed of as far as selection is concerned. Group 3 demands further aids for judging. These aids may take the form of (*a*) personal reports of former employers or of acquaintances; (*b*) scientific tests or exercises.

The proper procedure for handling individual cases cannot be decided in an interview of a few minutes. The rea-

sons for this are obvious. In the first place, it is impossible in a short period of time, such as that utilized for an interview, to get sufficient data on a person to arrive at a conclusion, in other than exceptional cases, that will give much more than a chance working basis for determining the instructional or follow-up needs of the individual. To illustrate: there may be a sick relative or other cause for worry. This may be true even though the interviewer may be able to judge the applicant's general degree of ability at the time of employment.

The second general problem is one of further diagnosis, training and follow-up after the original selection has been made. The two problems are interrelated. Training and adaptation begin with selection, and selection conditions training and adaptation. It sometimes is a problem of dealing with raw material which still has to be made over into the more finished product. It thus becomes a problem in developing possibilities not visible at the time of initial selection.

#### INTEREST AND INCENTIVE

In a healthy concern there is growth. This growth means change, and this change is reflected directly in the environment in which the person works. He has to meet new working conditions, both his physical surroundings, such as the type of work he has to do, and his general social surroundings, his fellows with whom he works, and others. Everything is gradually changing about him, and he must continually change if he would keep up and progress. The wise employer will continually study the "experiences" of his employee, and work with him in utilizing them to the best advantages. Otherwise he may suddenly realize some day that certain experiences that might have been entered in the "credit column" will have to be entered in the "debit column" even from the employer's own selfish standpoint. A paramount problem, then, is that of satisfying the legitimate interests of the employee.

Probably the most fundamental answer to this question is this: Develop a healthy *esprit de corps*. Just how this is to be done is a big problem, and one that has to be handled according to conditions in each plant. The problem is particularly difficult with workers who have only routine ability. It is essential, of course, that all employees have a wholesome spirit toward their work and their employer. But for the man of mechanical ability, there is not the continuous hope of further achievement and promotion, and this gap in his "consciousness" must be filled in by some other motive force. Means for accomplishing this may be such as helping to develop in one a sense of personal interest in the firm, promoting good fellowship, giving educational opportunities, fair remuneration, proper working conditions and appropriate hours, appropriate participation in the management, earnings, and so forth.

Human beings possess vital energy. This energy may be either latent or active, but it is always present in a normal human being. Interest finds its expression in action and is based upon change. If sufficient action and sufficient change are not given the employee in his work to satisfy his desire for action and change, then it is only natural for him to seek satisfaction elsewhere. When he reaches this stage, he generally becomes dissatisfied with his present employer because of the latter's inability or lack of desire to assist him, and he then becomes a "withdrawn account" in the personnel pass-book. Here, again, the employer must study his individual coworker and introduce the proper changes to meet the reasonable desires of the employee. It is a study in mutual adaptation. Of course, when either the employer or the employee "runs amuck," so to speak, or breaks this unity of interests, then he must restore the proper relations or enter into a state of production *incomunicado*. If employees are treated as machines, they may be expected to behave as machines, as far as interest in work is concerned, but they will not stay put like machines will. Machines may work in order, but they cannot work

as vital beings with interest in their work and in increasing their production.

#### LENGTH OF SERVICE

Another question that arises here is that of the *period of service* any given class of employees, considered from the standpoint of routine and constructive ability, can normally be expected to render. There is what we might call the "growth limit" in promotion, beyond which the man cannot go in a given line of work. Possibly he can go higher in a different line. If so, it then becomes his duty to himself and society to seek this higher level of usefulness. For some persons, however, change in type of work is no doubt undesirable. For others it is highly desirable, but it should not be made without a very careful analysis of all conditions involved. Certainly, however, nobody should stand in the way of one who should make such a change. The only question is when and how can he best make it. Every organization should figure on the apparent length of time the majority of any given class of employees—according to routine and constructive ability—can be expected to remain in service (that is, what period of service is best for the worker and the company), and gage the incoming type of recruits and deal with present employees accordingly. For instance, assuming that there is a regular force of 40 messengers, and 40 more are needed, what type of boy shall be selected? The one with initiative, ambition, and general ability, or the one who possesses more routine efficiency, or the one who possesses a fair proportion of both? Possibly it might be better to take a good number of very intelligent boys who will learn quickly, although the chances are that they will not remain more than a year. As in all cases, the proper procedure here is conditioned upon the outlets for the employee mentioned above. Such a procedure is obviously more desirable for those types of work which can be quickly learned and which do not involve an investment in training over a long period of time. Certainly an employer

should not stand in the way of an employee simply because a worker wants to leave his employ.

#### RELATION TO PROMOTION

In order to develop a good *esprit de corps*, higher positions should be filled, if possible, by promotion of properly qualified workers from lower-grade positions. All employees should have an equal right and opportunity, and no favoritism should be shown in making promotions. Nothing goes further to inspire and create confidence among the personnel than promotions based upon merit and ability and the filling of positions from within the organization except where new blood is required. Promotions should be based upon the work records of the employees and consultation with their superiors.

In adopting a policy of systematic promotions, a fundamental principle is to plan in advance the channels of promotion within departments and from one department to another. For example, the lines of promotion from the individual jobs to the positions of leading men, foremen, general foremen, assistant superintendents, and superintendents should be reasonably defined for the various departments. Any system of promotions, of course, requires coordinated record systems, especially such as will reveal promising employees, and record promptly special training or aptitude which certain employees have and which can be used in higher positions when vacancies occur.

The "three-position" plan of promotion, given definite formulation by Frank B. and Lillian M. Gilbreth, tersely pictures the general relation of the individual to the various positions and to his fellow workers and his general line of development and promotion:

The "three position" plan of promotion considers each man as occupying three positions in the organization, and considers these three positions as constantly changing in an upward spiral, as the man is promoted from the lowest position that he occupies and



into the position next higher than the highest position that he occupies. The three positions are as follows: first, and lowest, the position that the man has last occupied in the organization; second, the position that the man is occupying at present in the organization; third, and highest, the position that the man will next occupy. In the first position the worker occupies the place of the teacher, this position being at the same time occupied by two other men, that is, by the worker doing the work, who receives little or no instruction in the duties of that position except in an emergency, and by the worker below who is learning the work. In the second position, the worker is actually in charge of the work, and is constantly also the teacher of the man next below him, who will next occupy the position. He is also, in emergencies, a learner of the duties of his present position from the man above him. In the third position the worker occupies the place of learner, and is being constantly instructed by the man in the duties of the position immediately above.<sup>1</sup>

#### ANALYSIS AND WAGES

The wage schedules should be carefully studied from time to time with the view of adjusting the remuneration for the various types of work, as well as of standardizing wages throughout the organization in so far as the nature of the work permits. Standardization of wages, however, must not be carried to the extent of stifling the initiative of capable and imaginative workers. Flexibility in regular factory work can be gained through proper grading of the work.

It is an economic maxim that it is cheaper to pay a wage for a given type of work equivalent to the higher standard, in general approval as meeting the requirements of a fair wage, than to fall slightly below these standards. The results come in longer tenure of work, a more contented working force, less time devoted to hiring and breaking in new employees, and, consequently, in a general increase of efficiency. On the other hand, it is just as disastrous for a concern to try continually to outbid its neighbor employers either directly by wages, or indirectly through bonuses on

<sup>1</sup>"Personnel and Employment Problems," *Annals*, 1916, p. 290.

any basis but that of "valued received" in accordance with proper standards, as such practice can only end in a distortion of wage rates for all concerned. In determining a sound wage program, personal analysis and job specifications of the proper type thus play an important part.

It is apparent that in securing these results it is necessary that the various phases of analysis and follow-up work be correlated through centralized channels. It is only through such centralization that proper acquaintance can be secured with the opportunities for work throughout the various departments. A centralized department is in the best position to make an impartial analysis of the reason for failure on the part of the worker and his group or of unsatisfactory relations between him and his foreman, in which case it is necessary to secure all the facts possible from both sides. Such centralization also gives opportunity for standardizing, so far as practicable, conditions of work and methods of follow-up and adjustment throughout the entire plant as well as systematically to consider the specific personal matters as to abilities and conduct that require attention.

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## SCIENTIFIC MANAGEMENT AND LABOR

The aims of true scientific management. Its subject-matter and methods. Labor's part in scientific management. Scientific management must provide for the many. Orthodoxy and its results. Interests of real scientific management and labor mutual. Illustrations of cooperation between employers and labor in this field. The test.

SCIENTIFIC management, when properly applied, aims to determine fact and through fact to establish recognized law in the processes of production in industry.<sup>1</sup>

In so far as it meets these ends, it gives the worker the opportunity to produce effectively under proper conditions of work and, other things being equal, to share in the returns of industry according to his contribution.

To the employer it gives, other things being equal, a maximum of practicable efficiency and a minimum of unit cost of production.

To society at large it gives, other things being equal, the advantages of greatest feasible production and minimum price combined with proper reward for labor reflected in its general social values.

True scientific management does not deal with objective and material facts alone. It accounts for, and utilizes, human traits and relations. In fact, it recognizes not only that the material facts can be secured only through adequate attention to these human facts, but that the material facts are subservient to the human.

Likewise it must recognize that mere objective methods of determining these two facts are inadequate in getting the whole truth, or often the most important truth. Sub-

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<sup>1</sup>It is beyond the scope of this discussion to describe scientific management in its various phases. Such description is available in the references, and is assumed.

jective method, or personal judgment, necessarily enters. It must, therefore, be as intelligently controlled as possible. Even then it cannot be certain that it gets complete facts, for human relations are often indeterminate.

#### LABOR'S PART IN SCIENTIFIC MANAGEMENT

Scientific management, in its endeavor to get individual efficiency and profits, has in the past too often arrogated to itself and taken into its own hands entirely the functions of control and procedure. In trying to gain these things, it frequently has lost others—the understanding, the confidence, and the cooperation of the worker. Thus efficiency itself at times has been lost.

Efficiency is best secured through the exercise of responsibility, with its accompaniment of knowledge and faith in the cause. The exercise of responsibility requires the positive participation of the worker in control of the terms and conditions of work and employment that affect him. These conditions are over and above the requirements of capacity and skill in the performance of the processes of a job. But even capacity and skill are best developed through the exercise of responsibility in this larger sense. Scientific management, if it desires full benefits, must take the worker into its confidence and share with him the functions of control on appropriate matters and welcome his positive and responsible cooperation in the application of its technique.

In its search for efficiency and for justice to all parties in production, scientific management must not only recognize the needs and capacities, but it must not overlook the limitations of the individual worker. It must not, assuming minimum requirements of proficiency for the worker are met, develop an aristocracy of workers to the exclusion of the great body of reasonably proficient workers. This does not mean that it should not select and place workers according to varying degrees of ability and skill. It means

that it must take human nature as it is, and serve it, not ignore it, and then through education in its largest sense try to better it.

#### ORTHODOXY IN SCIENTIFIC MANAGEMENT

Scientific management has suffered from the claims of orthodoxy too frequently placed upon it in the past. Just as there are few, if any, immutable laws, even in the field of objective facts, and these can have no rigid rules of standardization in their application throughout industry, just so is new truth or fact always being brought to light. Such is the essence of applied science in any field, and management cannot escape it. True scientific management does not want to escape it. Orthodoxy, from the standpoint of results, makes merely for reproduction of the old. But even worse is its mental attitude of apathy operating to stultify progress, and of self-assurance blinding open-mindedness. Scientific management must utilize the past, but it must keep its face toward the future. One of its chief, if not its chief, function is research—the looking for the new and not merely gathering up and administering the old.

#### THE INTERESTS OF TRUE SCIENTIFIC MANAGEMENT AND LABOR MUTUAL

Many of the faults laid at the door of scientific management in the past have been due to its misapplication rather than its basic conception. This is particularly true with regard to its relation to labor. Scientific management in its proper sense, which means not only its body of working principles and methods from time to time, but its policies of control as well, has common cause with labor's rightful claims.

*Illustrations.* That labor itself responds to conscientious and intelligent effort to apply scientific management proper-



ly does not lack evidence in actual experience in industry. It is true that labor has been skeptical of some attempts to introduce given plans set forth as scientific management. This skepticism has sometimes been based upon honest doubt as to the intent or efficacy of the plans, sometimes upon lack of proper appreciation by individual leaders of labor of meritorious plans, but probably most frequently upon lack of proper approach to the problem by management or lack of reasonable safeguards to labor in the working out and administration of the plans themselves.

In a discussion of the relation of workers to production, Samuel Gompers, late president of the American Federation of Labor, said: "The trade-union movement offers its best and it has the right to hope for the best from those whose sphere lies in the management and guidance of industry. The trade-union movement welcomes every thought and plan, every device and readjustment that will make expended effort more valuable to humanity. It bars the way only when it is sought to make the worker pay the bill for his own increased effectiveness as a producer.

"The workers in industry and the great engineering minds in industry have in common the greatest inspiration in life—service to humanity."<sup>1</sup>

In the men's garment industry the Amalgamated Clothing Workers entered into a supplemental agreement with the Hart, Schaffner and Marx Company, in 1919, which contained the following provision: "It is not the purpose or intention of the agreement to hinder the introduction of improved methods or force the retention of inefficient methods. Under the supervision of the trade board, the company shall not be limited in making experiments and may select and hire persons for experimental work according to its judgment." The general question had been previously recognized by the contracting parties as properly coming under the arbitration provisions of their general plan of mutual dealing when any difference of opinion should arise,

<sup>1</sup> "The Workers and Production," *Annals*, September, 1920.

an adjudication of a case in question having been made in 1915 in this manner. The union's position as to specific cases under consideration has in its broad principles been that it did not have any objection to improved methods but it wanted them secured without injury to the workers. This principle of agreement now prevails essentially throughout the Chicago market in the men's clothing industry.

Among the important provisions of the agreement of 1921 between the International Ladies' Garment Workers' Union and the Cleveland Garment Manufacturers' Association, many essential provisions of which had been in operation since the summer of 1918, were the following: "In view of their primary responsibility to the consuming public, workers and owners are jointly and separately responsible for the cost and quality of the service rendered. . . . The principle of week work is reaffirmed. In accordance with the agreement heretofore entered into by the association and the union, the wage paid thereunder shall have due regard to the productive value of the individual worker based on fair and accurate standards, which standards shall be under the joint control of the association and the union and subject to review by the referees." A supplementary agreement included conditions whereby "a weekly minimum guaranteed wage for each worker and an additional wage depending upon his or her production measured by standards based upon time-studies" could be secured, and set up a bureau of standards under the direction of an engineer, employed jointly, who served as chairman of a joint committee charged with the installation and administration of the wage standards under the general agreement.

The Baltimore and Ohio Railroad and the standard shopcraft unions, under their cooperative plan initially put into effect in 1922, explicitly provide for joint conference and administration of manufacturing processes in shops, round-houses, and repair yards; material supply, care and distribution; condition of tools and equipment; work control;

and general coordination of effort and elimination of waste. Plans have been adopted to provide as much work as possible throughout the year and generally stabilize employment. The general arrangement entered into does not conflict with the unions' time-honored traditions, and represents the voluntary effort of both sides to it.

An important comment on the function of scientific management with special reference to its human phases is found in a statement of Richard A. Feiss, as follows: "Scientific management aims directly at increasing the quality and quantity of the output of an organization by increasing the quality and quantity of the output of the individual worker. While scientific management in its application must necessarily go deeply into the question of improved machinery and equipment, and while this in itself makes for greater output, nevertheless, a machine is a tool, and, like any other tool is devised to increase the efficiency of the individual to whose direct and personal control it must always be subject. The question of quality, even in the case where highly developed machinery is used, is almost entirely a question of the personal element. As for the question of quantity, the real measure of accomplishment is not output per machine or per tool, but output per man.

"Scientific management will not have completed its mission when it has determined in each industry the best method of handling materials and equipment in relation to workers, but when it has determined also the principles which underly the correct methods of handling men."<sup>1</sup>

#### THE TEST

The real test of the cooperation of labor and employers is found in the daily operation of the plans adopted. In the developing of the most economical and non-injurious processes of production and control, labor's record as to

<sup>1</sup> "Personal Relationship as a Basis of Scientific Management," *Annals*, special publication, "Personnel and Employment Problems in Industrial Management," 1916.

good-will and support has been as generally constructive, the evidence shows, as the employers' under the cooperative plans adopted. Generally speaking, however, it is a fair statement that a positive recognition by both management and workers of the true function of scientific management is just beginning to emerge in practice, and an essential part of this is that scientific management is not a thing distinct and apart from human relations in industry and their proper control.

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## XXVI

### LABOR LOSS<sup>1</sup>

The need for proper auditing of loss in man-power. Measuring this loss in terms of costs and production hours. The standard work-force. Labor loss defined. A uniform basis for computing loss. How to compute labor loss: (1) loss through variations from standard work-force, (2) loss through turnover, (3) loss through absenteeism and tardiness. Summary of method. Inadequacy of the labor turnover theories. The problem of efficiency in determining loss. Its relation to the standard work-force. The ratio and nature of replacements. The causes of labor loss. Determining responsibility. Related factors. Loss to employees.

PRESENT-DAY business recognizes the necessity of carefully accounting the costs of materials and equipment and amount of sales. Yet, strangely no similar attempt has been made to apply the same fundamental principles of accounting to the factor of human resources. It is equally if not more necessary carefully to compute labor requirements and closely to analyze the status of the working force than it is to check up on the physical materials that go into production. The workers constitute a mobile force, and misjudgment of the desirable worker on the part of the management results sooner or later in the impairment or loss of his services and losses through lessened production.

Furthermore, misjudgment or lack of accurate information regarding the requirements of the working force operates to undermine the stability of the working force generally. Unnecessary flux of workers occurs, and seasonal and temporary unemployment of labor is greatly increased.

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<sup>1</sup>This discussion is based upon *Labor Loss*, issued in 1918 by the author as a special bulletin of the Employment Management Branch of the Industrial Relations Division, U. S. Shipping Board Emergency Fleet Corporation, and appearing in revised form as an authorized interview in *Factory*, June 1, 1921. In its initial form the author is indebted to William M. Rose for valuable help.



From the standpoint of cost and production, therefore, the specific problem at hand is to determine practical methods of auditing man-power requirements and man-power efficiency. What the factors are that constitute these requirements and that enter into loss of man-power must first be considered.

The proper point of view in determining these several factors is the interrelation of production and costs. What is desired is maximum output at minimum cost with due regard for the well-being of the worker. It therefore is not a question of merely the number of men that go into a plant and the number that go out again; it is rather a question of how many men are needed and go in, how well they do their jobs while there, and, in case they leave jobs still necessary to be filled, what loss is incurred in getting other workers to maintain proper production.

#### LABOR LOSS IN TERMS OF COST AND PRODUCTION HOURS

Three elements of investment enter into production: (1) raw materials, (2) physical equipment, and (3) man-power. Production is secured by applying the last, man-power, to raw materials and physical equipment. The money investment in man-power is as truly an investment as in the case of the other two elements. Hence it follows that the building up of the force of workers required, or the addition of new workers to the force, in other words, *establishing and maintaining a standard work-force*, is as important from the standpoint of investment as installing and maintaining carefully determined requirements for machinery.

Loss in man-power begins when the actual work-force, either through a surplus or shortage of workers, varies from the standard force or when the standard force fails to produce adequately. A high degree of labor turnover, frequent tardiness, undue absenteeism, are the terms that are used to express certain phases but only a part of what in a comprehensive sense may be termed *labor loss*.

## STANDARD WORK-FORCE DEFINED

In order to measure with any degree of accuracy the amount of actual labor loss at a given time and in a given plant it is necessary to determine first of all a standard schedule of requirements for man-power just as for the factors of raw materials and physical equipment. The standard work-force may be defined as that work-force which permits of maximum efficiency with the given physical equipment and processes of the plant. If there are more workers than are required to make the best use of the equipment, there will be unnecessary overhead. If there are too few workers, there will be idle or ill-manned machines and consequent loss in overhead and lack of production. Standard work-force, then, is proper investment in man-power. It is determined by the general degree of skill of the workers in relation to the physical equipment and processes used.

A change in the physical equipment or processes or in the usual degree of skill of the work-group, necessitates a corresponding change in the standard work-force. During the war, when many of the most highly skilled workers were not available in industry, more workers were in many instances needed to do a given piece of work because of the dilution in skill caused by bringing in less experienced workers. Again, the expansion of an enterprise and the installing of more equipment necessitate in many cases an increase in the required number of workers.

In short, the standard work-force does not represent an arbitrarily fixed number. It is rather a zone, determined by careful estimate with sufficient flexibility to make allowance for shifts, and to provide for legitimate "reservoirs" of help to meet highly fluctuating requirements. When the variations from a fairly uniform standard number are extensive, however, the cost of the fluctuating group should be considered a matter of insurance against shortage or overhead.

## LABOR LOSS DEFINED

Loss in man-power may be caused by one or more of a number of factors:

1. Original failure to secure the right or standard number of employees;
2. Failure to maintain the number of employees regularly up to standard;
3. Hiring new workers to replace lost ones;
4. Poor attendance (absenteeism and tardiness);
5. Lack of steady application to work;
6. Lack of adaptation or proper training;
7. Fatigue;
8. Lack of harmony, and so forth.

These factors may be termed, in combination, *labor loss*. Labor loss, therefore, is the loss of productivity and the costs due to the inefficient application of man-power.

## A UNIFORM BASIS FOR COMPUTING LOSS

*All the factors which go to make up labor loss may be computed on the single and uniform basis of loss in production hours.* By reducing the different elements in labor loss to this commonly understood and comparable basis for figuring costs and production, the variations from the standard in each case and the excess costs can be measured with reasonable accuracy.

Losses from what is generally termed labor turnover, causing as they do variations from the standard work-force, or extra costs in trying to maintain a proper work-force, may be more accurately determined if expressed in terms of production hours lost. For example, when a plant is unable to make replacements of men who leave necessary jobs, there is a loss which is not accounted for by the usual methods of recording.

To illustrate: A plant may have increased its employees during the period of one month from 1,000 to 1,080. If,

however, all the men who left necessary jobs had been replaced, thus permitting a normal increase, the pay-roll might have been increased to 1,100. In other words, in this particular instance, 20 needed workers were not replaced.

It is necessary to consider more than merely the number of separations or replacements as such in order to determine costs. Requirements—that is, the standard force—must first be considered, and then variations from these requirements and the costs of rebuilding this force when workers leave be computed. If unnecessary workers leave, their separation as such, of course, does not entail loss. All of these factors can be readily measured in terms of production hours.

#### COMPUTING LOSS IN VARIATIONS FROM STANDARD WORK-FORCE

The amount of loss in production caused by the failure to maintain constantly the standard work-force is based on two things: the actual number of necessary workers not replaced, and the number of jobs which have never been filled but which should be filled if an adequate force is to be maintained.

To compute the number of hours lost because of variations from the standard work-force:

Take the sum of the differences between the pay-roll force and the standard work-force for each work-day of the given period. Multiply this total by the number of work-hours per day. The result is the number of work-hours lost for the period.

If it is desired to know the percentage of work-hours lost, divide the result thus obtained by the total number of work-hours (standard work-hours) for the period.

For example:

Assume that the plant works 25 days during the month,  
8 hours per day.

Assume total number of men short for month (sum of

differences between pay-roll force and standard work-force for each day of month) equals.....6,250  
 $6,250 \times 8$ , number of work-hours short of standard needed to produce maximum output, or number of production hours lost, equals.....50,000  
 Assume that the standard work-force for the month equals .....1,250  
 The total standard work-hours equals  $1,250 \times 8 \times 25$  equals .....250,000  
 50,000 divided by 250,000 equals percentage of production hours lost, equals.....20%

Expressed in terms of a formula, this method works out as follows:

$D$  (working days) equals..... 25  
 $H$  (hours per day) equals..... 8  
 $V$  (variation or shortage of men) equals..... 6,250  
 Then  $V \times H$  equals  $6,250 \times 8$ , equals..... 50,000  
 $S$  (standard work-force) equals..... 1,250  
 And  $S \times H \times D$  equals  $1,250 \times 8 \times 25$ , equals.... 250,000  
 Then  $\frac{V \times H}{S \times H \times D} = \frac{6,250 \times 8}{1,250 \times 8 \times 25} = \frac{50,000}{250,000} = 20\%$

#### COMPUTING LOSS FROM TURNOVER

The amount of loss caused by labor turnover is computed on the basis of the cost of hiring and training a new worker to replace the worker who leaves. This cost is then measured in terms of the equivalent loss in production hours at the given rate of pay.

To illustrate:

Assume that a boilermaker who is receiving 80 cents an hour leaves and that it is necessary to fill his place. He can be replaced either by a skilled man, a semiskilled man, or a learner. In order to keep up production, the company must *rebuy*, either directly or through training, the same amount of skill that the man who leaves possessed, and, in addition, *rebuy* the adaptability



of the new worker to the job and the working group, whatever his skill may be.

If a skilled worker is found to take the vacant job, the administrative cost of rebuying the skill is, let us say, \$25. To this must be added the cost of fitting the new man to the job and the group, which in this case can be assumed as \$10. The total cost of replacement, therefore, is \$35. This sum, if it had been used to buy the services of the previous worker, at his rate of 80 cents an hour, would have purchased 43.75 production hours. In other words, 43.75 production hours were lost by the turnover on this one job.

The above illustrative estimate does not take into consideration the cost of extra wear on machinery, and so forth; reduced production by the new worker; extra waste of materials, and the like, which in practice should be accounted for.

If, to fill the place of the boilermaker at 80 cents an hour, the company hired a semiskilled worker, the cost of replacement would probably be greater. To the administrative cost of hiring would be added the cost of training and an added cost of adaptation. Assuming these costs as \$25, \$90, and \$15, respectively, the total cost would be \$130. This equals a loss of 162.5 production hours.

The cost of hiring a learner to replace a skilled worker might, estimated on the same basis, be as high as \$200, or the equivalent of a loss of 250 production hours.

The extent of such losses can be estimated over a period of time by the law of averages for each trade or occupation in a given department. It is not always necessary to compute the cost for each individual. The cost can be determined for each type of worker replaced as indicated above, and then applied directly to the particular type of replacement as it is classified. In case a leaving worker is replaced by a more skilled worker, proper account should be taken of this fact.

The formula for computing labor turnover in terms of cost based on production hours is, then, as follows:

Take each trade separately; determine the cost in money of replacing the skilled worker, the semiskilled worker, and

the learner by each type of worker, including the cost of rebuying the skill lost and of adapting the new worker to the job. Classify each new worker who replaces an old one, and take the cost common to that type, noting any special variations. Divide the rate of pay for the job into this cost. The result is the loss in production hours.

The percentage of production hours lost through turnover is then secured by dividing this result by the total number of production hours required for this period.

In one month, for example, a company may have had to replace three boilermakers receiving 80 cents an hour, at a total cost of \$365, and with a loss of 456.25 production hours; 20 riveters at 72 cents an hour, at a total cost of \$900, with a loss of 1,250 production hours; and one coppersmith paid 95 cents an hour, at a total cost of \$266, and with a loss of 280 production hours. In other words, the loss in production hours during this 30-day period would be 1,986.25 production hours, representing concretely the loss from labor turnover in this time.

#### WHAT IS A REPLACEMENT?

In this connection it is necessary to define replacement. On the basis of the standard work-force, the principle is as follows: For any given trade in any given department, the hires become replacements up to the time the previous high point of the pay-roll force is reached; provided, of course, that the standard work-force remains constant or does not decrease below the high point of the pay-roll force.

To illustrate: Assume that in January the mean force on the pay-roll of any trade was 200; that in February the mean of any trade on the pay-roll was 175; and then in March the mean was 190. All the new workers hired in March and thereafter up to the time the high point of 200 is reached are figured as replacements; provided, however, that the standard work-force is constant or is not decreasing below the high point of the pay-roll force.

Replacements, therefore, and consequently turnover, can be figured with greater accuracy over a period of time. Turnover is cumulative in the sense that the books should not be closed at the end of an arbitrary period, such as a month, but the previous high point on the pay-roll must be taken into consideration in determining whether a replacement has occurred.

#### COMPUTING ABSENTEEISM AND TARDINESS LOSS

Losses from both absenteeism and tardiness may be computed on the basis of the actual number of production hours lost. Losses from absences can be figured, first, on the basis of the number of persons absent, and then reduced to the number of actual hours lost. Loss caused by tardiness, varying in each instance from a few minutes to a maximum of an hour or more, can be figured similarly.

The formula for computing absenteeism and tardiness on the basis of production hours is as follows:

Take the total number of workers absent from the pay-roll force for each work-day during the period, and then the number of work-hours lost by each. The sum of these hours gives the number of hours lost during the period. By the same method compute the loss through tardiness.

To figure the percentage of work-hours lost through absenteeism and tardiness, divide the actual number of hours lost by the total number of hours required.

For example: Assume that the attendance record of the plant showed that on the first day 200 workers were absent, losing a total of 1,600 hours; on the second day, 150, with a total of 1,200 work-hours; on the third day, 175, with a total of 1,400 hours, and so on. The total number of work-hours lost through absence of the first 3 days of the month would be 4,200. If the total number of hours required for 3 days—that is, the standard work-force—is divided into the figure 4,200, the result is the percentage of absenteeism and tardiness for that period.

## SUMMARY OF METHOD

1. To figure the number of work-hours lost because of variation from the standard work-force, take the sum of the differences between the pay-roll force and the standard force for each work-day of the given period. Multiply this total by the number of work-hours per day. The result is the number of work-hours lost for the period.

If the figure is desired in terms of the percentage of work-hours lost, divide the result secured as above by the total number of work-hours required for the period.

2. For turnover, take each trade separately, and determine the cost of replacing the skilled worker, the semiskilled worker, and learner by each type of worker, including the cost of rebuying the skill lost and of adapting the new worker to the job. Classify each new worker who replaces an old one, and take the cost common to that type, noting any special variations. Divide the rate of pay for the job into this excess cost. The result is the loss in work-hours.

The percentage of production hours lost through turnover is then secured by dividing this result by the total number of production hours required for the period.

3. The actual number of work-hours lost through absenteeism is obtained by taking the number of workers absent from the pay-roll force for each work-day during the period, and then the number of work-hours lost by each. The sum of these hours for each work-day for the period gives the number of work-hours lost during the period. The number of work-hours lost through tardiness is computed similarly.

The percentage of work-hours lost through absenteeism or tardiness is obtained by dividing the result secured in the above paragraph by the total number of work-hours required for the period.

4. To secure the total number of production hours lost in a plant, take the sum of the number of production hours lost as calculated in each case above.

The total percentage of hours lost is found by dividing this result by the total number of work-hours required for the period.

Since the loss of a given number of production hours in one department or trade may be more serious than the loss of the same number of production hours in another department or trade, it may be desirable for special purposes to weight the relative importance of production hours for the various departments or trades of a plant. A simple method which does not require any calculating is to write in parentheses after the number of production hours lost the hourly rate of pay of the job or occupation involved in the loss. Thus, if 56 hours were lost from the standard work-time of a boilermaker receiving 80 cents an hour, the figure would read: 56 (.80); if the same number of hours were lost from the standard work-time of a repetition worker receiving 38 cents an hour, the figure would be, 56 (.38); and so on. Thus at a glance it would be possible to gather both the total number of hours lost and the grade of the employees directly affected.

#### WHAT IS LABOR TURNOVER?

Historically, the attention given to the field discussed in the preceding pages on labor loss has centered around the topic of labor turnover. In a general way, labor turnover, as usually considered, has referred, in one way or another, to the mobility of labor. The existence of labor turnover, of course, is not new in industry. But several theories have been held regarding the exact meaning of the term, and the proper methods of computing labor turnover. The discussions of these theories and methods began to attract public attention in this country about six or eight years ago.

The two basic theories around which these discussions have centered are the *separationist* theory and the *replacement* theory.

Those who have held to the separationist idea contend



that the basis for determining the true factor in labor mobility, or labor turnover, is found by taking the relation of separation from the plant to the number of workers on its pay-roll. Certain modifications of this theory have been proposed according to which, for example, the factor of attendance is also considered in figuring the result. Those who hold to the replacement theory have contended that the relation the number of workers actually replaced bears to the number of workers on the pay-roll gives the true index. One authority claims that "labor turnover was first used and still is more widely used to express the phenomenon of hirings necessary to replace separations in any given industry, establishment, or department of an establishment."<sup>1</sup>

These two theories, with their modifications, have been quite fully discussed in current literature during the past few years, and it is unnecessary to go into them in detail here. A few general considerations, however, to show their relation to the broader field of labor loss seem appropriate.

#### TURNOVER AND EFFICIENCY

Both these theories deal with the *number of individuals affected* rather than with the *amount of productive effort or money lost* through the shifting or mobility of labor even when no other causes of loss are considered. Both these theories, moreover, deal with only one of the various phases of labor loss. Labor turnover often has been given erroneously as the figure that shows the efficiency of the work-force. Loss in production due to failure to get and to keep the number of workers on the pay-roll regularly up to the standard requirements, and loss due to men being late and absent are conditions that too often are overlooked. They are conditions, however, that seriously interfere with any program of production, since they entail direct loss in out-

<sup>1</sup>See Frederick S. Crum, "How to Figure Labor Turnover," *Journal of the American Statistical Association*, June, 1919.

put, idle machines, and increased overhead and expense, because the plant is not working up to its proper maximum.<sup>1</sup>

Loss in productive effort due to lack of steady application to work, to needless shifting among departments, to overwork, or to lack of harmonious working spirit is not discussed in detail here, as the purpose is to deal with factors that are caused by the loss or absence of workers from the plant and other concrete, readily checked factors related to the number of workers. It is hoped that scientific studies will soon enable proper valuation to be made of the subjective factors of labor loss, with due recognition of the human values involved.<sup>2</sup>

#### THE STANDARD WORK-FORCE IN RELATION TO TURNOVER

Consideration of the loss that arises through variation of the pay-roll force from the standard work-force is necessary in order to take into account fully the factor of separations for any workers who may leave. It furthermore avoids the fallacies often fallen into if merely separations are used as a basis in determining the loss caused by workers leaving employment. Separation from the pay-roll of workers who have for any reason been on unnecessary jobs is accounted for in the loss due to the variation of the pay-roll above the standard work-force *while* they were on the unnecessary jobs, which loss stops when they leave the pay-roll. Sometimes departments or plants have an excess of workers because the requirements have not been carefully planned, and the consequent instability and loss of productive effort is bad for all concerned. In such cases

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<sup>1</sup>The inadequacy of the old "labor turnover" principle is also noted by P. F. Brissenden and Emil Frankel in their *Labor Turnover in Industry*, in which they use the phrase "labor mobility" for the general term. For discussion of their principles and methods of calculation, see their *Labor Turnover in Industry*, 1922.

<sup>2</sup>In this connection, the studies of Frank Gilbreth, Frederick S. Lee, and P. Sargent Florence should be noted.

the loss is incurred because the persons were on the pay-roll and *not* because they left. It is assumed, of course, that the pay-roll force is cleared often enough to keep it truly representative.

#### UNNECESSARY JOBS

In the second place, separation of workers who have worked regularly on necessary jobs, but whose jobs, because of changed requirements, are no longer necessary, involves no loss, since those workers were a part of the normal investment and produced regularly until their services were no longer required. Such was the case when certain plants that sprung up for special purposes during the war stopped work as soon as the demand for their product was over. Undue retention of the workers in these plants would have entailed loss. The need, then, from the standpoint of both production and workers, was that the workers secure employment in profitable enterprises elsewhere. Similar conditions, though usually not to such a high degree in particular cases, exist all the time throughout industry.

#### NECESSARY JOBS

In the third place, separation from the pay-roll of workers who were on necessary jobs and are still needed and who are not immediately replaced is cared for in computing the shortage of the pay-roll force from the standard work-force until they are replaced. Here the *extent* of the loss does not lie in the separation as such, but in the time lost from production while the worker is off the job and in the cost of actual replacement and readjustment in filling his place.

In the fourth place, separation from the pay-roll of workers who are immediately replaced requires account to be taken of the cost of replacement in order to determine the loss caused by the separation. The extent of the loss is

determined by the cost of replacement and readjustment and not by the act of separation itself.

#### TWO BASES FOR ESTIMATE

Hence, it is seen that the cost of replacing a worker and the cost of mere separation from the pay-roll of a worker who is not replaced involve separate and distinct factors, and necessarily are figured on different bases. In fact, as previously noted, the separation of a worker may not involve any cost at all. When replacement occurs, there are such costs as those of actually hiring and training the new worker in the former worker's place, even though the job is immediately refilled. On the other hand, if a worker leaves a necessary job and is not replaced, there is loss of production caused by the reduction of the number of workers below the standard work-force, although there are no costs of hiring and training a new worker to replace the one who has left.

It is apparent from the foregoing facts that any compilation of figures merely on the number of separations of workers from a plant is apt to be very misleading in determining whether or not loss has taken place, and if so, what costs have been incurred. Aside from the other facts involved, such as relation of the standard work-force to the pay-roll force, attendance, and the like, as already suggested, any statement of the number of separations without regard to the *proportion and nature* of the replacements occurring cannot furnish an adequate basis for estimating costs or determining loss in productivity caused only by separations.

For example, a plant may have 100 separations for a given month, 85 of which are mere separations without replacements and 15 of which represent workers who are replaced. The next month the same plant may have the same number of separations, but this time only 15 of the 100 may be mere separations, while 85 represent replacements. Thus, while in each case there are the same num-

ber of separations, there are likely to be very marked differences in the costs involved.

Furthermore, society may actually benefit by workers changing places of employment, for often the worker through change in position secures opportunity for more development or for steadier employment than would otherwise be possible. Sometimes a firm, for good reasons, is not able to give a man the type of work that will furnish him the best opportunity. It certainly is not true that every time a worker leaves the employ of a company a loss is entailed, and even when loss is incurred by the previous employer for a given individual, it does not necessarily follow that the worker or society has suffered. Even the employer who does incur extra expense temporarily may gain in the long run through the reasonable mobility of labor, which enables skill and capacity to become better adapted to opportunity and need.

#### ANALYSIS NEEDED

Too often, of course, the worker and the employer and society all lose. Careful analysis of all of the factors is needed, and then conscientious and thoughtful effort by all parties to remedy conditions. Only in this way can these phases of employment relations be stabilized to the advantage of all concerned.

It is not desired to detract from the value of information regarding the number of separations from a plant. Knowledge of the number of separations, however, at best gives only an index of the mobility, or outward flow, of labor from a plant. As such it is inadequate to determine either the extent of costs and loss in productivity or the degree of stability of the work-force, which involves other factors. Knowledge of the mobility of labor without further knowledge as to the loss or gain to the employers and workers in the operation, as well as to industry in general, is ineffectual and apt to be very misleading.



CLASSIFICATION AND INTERPRETATION OF THE  
CAUSES OF LABOR LOSS<sup>1</sup>

## I. CAUSES OF LOSS

(a) *Variation from Standard Work-Force and Labor Turnover.* Loss arising from the variation of the pay-roll force from the standard work-force may be caused by a number of conditions. These may be grouped under two classes, the first of which relates to conditions of management and operation other than labor itself, and the second of which relates to labor matters as such. The first of these may be occasioned by:

(1) Lack of careful planning or misjudgment on the part of the management in charge of technical production in determining production schedules, flow of materials, and schedules of labor requirements;

(2) Failure of the purchasing department to furnish regularly an adequate supply of raw materials and equipment;

(3) Failure of the sales department to provide a regular and sufficient market for the finished product;

(4) Unstable financing;

(5) Inefficient management in general;

(6) Uncontrollable conditions.

Any and all of these conditions, when they exist, vitally affect the stability of the working force and cause unwarranted curtailment of production, lay-offs, and dismissal of workers, and often occasion requests for immediate, and sometimes impossible, readjustment of the workers.

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<sup>1</sup>The purpose here is to present in a concise and usable form the more important points that relate particularly to the interpretation of labor loss given on the preceding pages and not to give an exhaustive discussion of the causes of labor unrest and of the human factors in production.

Neither is it the desire to review the large amount of literature that has appeared on the subject of "labor turnover," which is readily available. A partial list of references, which, together with other bibliographies cited, include some of the more important articles on the subject, may be found at the close of the chapter.

Responsibility for loss and delays because of these factors often falls, and unjustly so, on the labor manager or on minor department heads.

Thoughtful planning of standard schedules of man-power requirements for given units of work and their coordination with the other phases of management, together with careful analysis of changes that are made, will enable responsibility to be fixed where it belongs from time to time. It furthermore will help to systematize production, to avoid shortages and surpluses of labor, and to prevent discontent, absence, turnover, and other harmful conditions in the working force itself.

The second class of conditions which cause loss through differences between the required work-force and the force actually on the pay-roll, or those conditions that have their origin in labor conditions themselves, arise from:

- (1) Actual shortage in the labor market;
- (2) Bad situations pertaining to conditions and terms of work, such as hours, wages, accidents, physical surroundings, and the like;
- (3) Lack of adequate training or opportunity for the workers, which reduces the amount of productive ability of the workers either through actual lack of skill or through lack of application to work, and withdrawals caused by inability of the workers to attain the desired results at their work;
- (4) Undesirable conditions arising among the workers themselves, such as discontent, grievances, and disputes, which may or may not be caused by general conditions of employment;
- (5) Uncoordinated and unstable policies and methods of labor administration generally within the plant;
- (6) Uncoordinated and unstable policies and methods of labor administration in the community as a whole.

Loss from labor turnover also may be grouped into two

general classes: first, that caused by faulty management other than what pertains to labor itself; and, second, conditions of labor management. In general, the same factors in management for both classes apply here as for loss in variation from the standard work-force, as all of them tend to undermine the stability of the working group.

Sometimes, of course, circumstances arise which cannot be assigned to any particular cause within control, and proper account should be taken of such unavoidable conditions when they do occur.

(b) *Causes of Loss in Attendance.* While many of the more general phases of undesirable management either directly or indirectly operate to cause poor attendance, certain specific conditions usually may be assigned as the cause in given cases. The more important of these are:

- (1) Accident
- (2) Sickness or ill health
- (3) Housing and transportation
- (4) Conditions of work, such as hours, fatigue, and nature of the job
- (5) Grievances
- (6) Climatic conditions
- (7) Lack of interest
- (8) Home conditions
- (9) Personal business
- (10) Unexcused or miscellaneous

Causes of loss from poor attendance may be further classified, when desired, into those within the plant and outside of the plant, or into those pertaining especially to general management and especially to labor conditions, or according to the various trades and occupations, or according to the avoidable and unavoidable conditions involved.

(c) *Avoidable and Unavoidable Losses.* The records may be kept so as to show "avoidable" and "unavoidable" losses. By "avoidable" loss is meant that due to such

causes as incompetency, irregularity, and the like, which could be avoided if satisfactory conditions had obtained for both employer and employee at the time of hiring and during the period of service.

By "unavoidable" loss is meant that due to such causes as sickness, death, or other factors which cannot be reasonably controlled by the employer or employee. No rigid rule, however, can be applied in classifying these factors. For example, sickness or even death in one case might be unavoidable, but in other cases might be due to conditions which could have been remedied.

Loss resulting from what are often called "unavoidable separations" should be figured in with the total loss incurred in determining the extent of the cost involved, as the cost of replacement or loss of services in such cases is the same whether the loss occasioned by the given separations is avoidable or not. Separations and other factors making for loss should be classified on the basis of "avoidable" or "unavoidable" for the purpose of determining responsibility for the loss and not for determining the degree of extent of the loss.

(d) *Classification of Causes.* A concise classification of the causes of labor losses in variation from the standard work-force and in labor turnover as well as from poor attendance which permits of appropriately recording *responsibility* in each case is given in Figure 7, illustrated on the opposite page.

## 2. SEASONAL EMPLOYMENT

Another factor of importance here is the effect of seasonal employment upon production schedules and upon the workers. In some industries the bad effects of seasonal employment are difficult to overcome. A careful analysis, however, of the relation of the factors of supply and demand in a given enterprise to the standard schedules of manpower requirements should do much toward eliminating the

Classification of Causes of Labor Loss in Variation from Standard Work Force and in Labor Turnover													
Causes		Management Other than Labor					Labor					General	
		Technical Production	Purchasing	Sales	Finance	General Management	Shortage Labor Market	Conditions of Work	Training or Opportunity	Workers	Labor Management General	Unavoidable	Outside
Number of Production Hours Lost	Standard Force												
	Turnover												
	Absent												
	Total												

Figure 7: Form for classification of labor losses (in variation from standard work-force and in labor turnover and absenteeism).

ill effects of unnecessary and highly fluctuating periods of seasonal employment and production.

### 3. LENGTH OF SERVICE

A factor on which definite data from time to time are important is the length of service of employees. While these data are most often reported for "separated" employees, they are also highly useful for "active" employees. A concise form for analyzing such data is given in Figure 8, on the following page.

When desired, this information can be further classified according to the various causes of labor loss, nationality of the workers, trades, and similar factors involved.

### 4. CORRELATION WITH LOSSES FROM ACCIDENT, FATIGUE, SICKNESS, AND SO FORTH

Computing labor loss in terms of the number of production hours lost permits the losses caused by accident, epidemics, and other conditions of bad health, fatigue, and the like, to be figured on a common basis with all of the other factors of loss and their relative extent to be determined.

Loss from accident, for example, aside from the factor of frequency or number of accidents, is figured on the basis of *severity*, or number of work-hours lost, in order to determine the real significance of the accidents. From the



Form for Analyzing Length-of-Service Data				
Length of Service	Separated Employees		Active Employees	
	Number	Percentage	Number	Percentage
One week or less				
Over one week, but not over one month				
Over one month, but not over three months				
Over three months, but not over six months				
Over six months, but not over one year				
Over one year				
Total				

Figure 8: Form for analyzing length-of-service data.

methods of determining losses as given herein, the number of work-hours lost by the worker because of an accident can be compared definitely with the loss incurred by the company in the particular case, and this, in turn, can be related to the total labor loss incurred by the company or to the loss caused from any other given causes.

### 5. LOSS TO EMPLOYEES

While the purpose of this discussion has been to treat of costs and losses from the standpoint of the requirements of production, or those incurred by the company itself, it should be noted that labor loss affects the worker as well as the company. As previously stated, the withdrawal of a worker from any given place of employment does not necessarily mean that any loss to the employer has occurred, and may mean a gain. Often, however, the employee incurs a distinct loss upon cessation of employment at a given plant. The loss usually is caused by unemployment and consequent loss of earnings and by the bad effect of varying positions or of idleness upon working morale. Sometimes such

factors as the extra expense of securing new work, reduced earnings and other benefits while learning or starting a new job, increased risk of accident in a new job, moving expenses, and loss in financial credit, become important factors. The relative advantages secured, however, may offset these disadvantages.

A careful study of the losses incurred by workers upon leaving given places of employment would furnish important data regarding the workers, and also permit of computing labor loss from the standpoint of the loss of earning power and productive ability on the part of the community as a whole. Such a computation is more readily made in the case of absence and tardiness, although it is difficult to measure definitely the effects of absent or tardy workers on the other members of the working group.

Loss may be incurred by the worker, moreover, while he is regularly employed, through lack of proper training and direction or through lack of opportunity to use his knowledge and skill to the best advantage. If such loss were measured, it would no doubt be shown to be a very significant factor for both the company and the worker.

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LABOR RELATIONS IN INDUSTRY

PART VIII

WORLD SCOPE AND TRENDS





## XXVII

### INTERNATIONAL LABOR RELATIONS

The problem of international accord in labor relations. Economic aspects of international labor relations. Political and social aspects. Local action by individual countries not always sufficient. Labor provisions of the Versailles Treaty. International labor conferences under the Peace Treaty. Limitations and possibilities of international regulation of labor relations.

THE need for international harmony is nowhere more apparent than in labor relations today. Relative conditions and standards of work among nations affect not only the extent of production, but prices and markets as well. They influence all the economic factors which make for or break peace between nations.

Any sound program, economic or social, between nations must provide that no encouragement or undue advantage be given particular nations through lowering the levels of hours, wages, and other conditions among the work people, which would permit them to extend competitive methods that sooner or later affect the health of commerce. That observance of fundamental principles bearing upon the regulation of commercial intercourse among nations is necessary, is coming to be more and more apparent. It has been found that without reasonable safeguards unlicensed competition enters, temporary advantages, more imaginative than real, are often attempted, and undermining of markets and trade follows to a disastrous degree for all. Maintenance of wholesome levels of trade conditions and standards is imperative.

With the present-day methods of communication and transport, the health of an industry is undermined whenever the standards of production are wrong in any country of importance. Thus an industry of high standards in one

country competing with the product of a similar industry of low standards in another country is at a disadvantage in both domestic and foreign trade.

It has been the recognition of such facts as these that has caused early steps to be taken to regulate immigration so as to prevent the influx of labor of lower standards into this country, to endeavor to provide for the establishment of a code of relatively uniform wages and working conditions for seamen operating ships under the flags of the several nations, and to prevent commodities produced by convict or child labor from becoming articles of international trade. These are but examples of the effects that uniform or non-injurious conditions of work have on general well-being.

Bad conditions tend to lower the standards of living of the people in the country of superior standards. The country of lower standards also tends to suffer through discontent among its workers through knowledge of better conditions in other countries or actual emigration of its labor. The international labor market is thus directly affected.

#### POLITICAL AND SOCIAL ASPECTS

Labor unrest and inequalities in labor standards have reached social and political, as well as economic, importance among nations. Non-official action has been represented among work people by international conferences of socialists, such as those held at Copenhagen in 1910 and Berne in 1918, with their permanent bureaus striving for both industrial and political reforms, and by *bona-fide* labor union conferences and associations, such as the Trade Union Congress in London in 1918. Semiofficial action has found expression most noticeably through the International Association for Labor Legislation (founded in 1900), which the next year organized a permanent office. In this connection the International Committee on Social Insurance (formed in 1889), and the International Association on Unemployment (founded in 1910) are also significant.

Among the earlier examples of an official international nature are the labor conferences at Berlin in 1890 and at Berne in 1905, 1906, and 1913. Official action between nations has taken the form of treaties and of general concert through conference and cooperative action. In general instances, treaties regulating immigration and emigration have been entered into, and agreements among nations securing resident aliens from discrimination on such matters as accidents, social insurance, and savings have been quite general. The first great international conventions on labor were adopted at Berne in 1906 in the agreement to prohibit night-work for women and to abolish the use of poisonous phosphorous in matches, and later ratified with the effect of treaties by the legislatures of various European countries. An instance of accord in international action outside of actual treaty-making is found in the exercise by the United States Government of its taxing powers to abolish the use of poisonous phosphorous, in cooperation with other countries.<sup>1</sup>

#### LOCAL ACTION OF ITSELF NOT ALWAYS SUFFICIENT

Directed toward the solution of these problems should be noted the various movements, in addition to the organizations of labor, that have sprung up in many countries. In England the Whitley Councils and the National Industrial Council, supported by the government, and in Canada a joint commission of capitalists and labor leaders appointed to investigate and report on methods of labor administration, are illustrations. Australia has taken distinctive action. In this country various more or less ineffective steps have been taken to meet somewhat similar conditions. It is apparent, however, that local movements designed to ameliorate particular conditions in single countries will not suffice for the international regulation under discussion.

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<sup>1</sup>For the history of the development of international action on labor relations, see references at close of chapter.

## LABOR PROVISIONS OF THE VERSAILLES TREATY

The Allied Peace Conference incorporated in the peace covenant provisions affecting matters of international importance on labor relations to promote the industrial and social betterment of nations, to prevent the spread of class strife, and to lessen the possibility of international friction. The Conference also established an International Labor Office, under the League of Nations, and set forth its belief in certain minimum standards regarding terms and conditions of labor, "without claiming that these methods or principles are either complete or final," but stating that it was of the "opinion that they are well fitted to guide the policy of the League of Nations."

The conservative and reasonable nature of the policies adopted on these matters by the Conference is seen in the statement of aims and procedure for establishing these principles as operative within the various nations and their methods of administration. It is expressly stated that while "the high contracting parties, recognizing that the well-being—physical, moral, and intellectual—of industrial wage-earners is of supreme international importance, have framed a permanent machinery associated with the League of Nations to further this whole end," yet they recognized that "the difference of climates and customs, of economic opportunity and industrial conditions, make strict uniformity in the conditions of labor difficult of immediate attainment." It is definitely and rightly held, however, that labor should not be regarded merely as a commodity or an article of commerce, and that there are methods and principles for rectifying labor conditions which all industrial communities should endeavor to employ so far as their special circumstances will permit.

It should be specifically noted that the action of the League of Nations in these regards was stipulated as recommendatory, and there was no endeavor to infringe upon the right of each of the high contracting parties to adopt or

reject these provisions for operation within their respective sovereignties.

#### INTERNATIONAL LABOR CONFERENCES UNDER THE PEACE TREATY

The seven international conferences on labor held thus far under the terms of the Peace Treaty of Versailles (at Washington, in 1919; at Genoa, in 1920; and at Geneva, in 1921, 1922, 1923, 1924, and 1925) have dealt with significant problems, recommending action on such matters as hours of work, unemployment, the employment of women and children, conditions of work for seamen, exchange of information on immigration and emigration, utilization of leisure, conditions of agricultural employment, and social insurance. In addition to the labor conferences, a phase of the activities of the international labor office is illustrated in the international inquiry into the legal regulation of wages. Other topics specially reported on include immigration and emigration.

The development of labor legislation toward international standards is indicated in the accompanying chart prepared by the International Labor Office and showing the progress of ratifications and legislation relative to the draft conventions of the International Labor Conferences, which is the most recent official summary available. It should be noted that recommendations of the International Labor Conferences are not technically ratified in the usual sense, but are, in reality, guides for the passing of legislation by the various countries. A summary of the action taken by various countries other than shown on this chart, such as national legislation prior to, but embodying in greater or less degree certain decisions of, the labor conferences, would show much additional action along these lines, all pointing toward greater uniformity on international labor relations.<sup>1</sup>

<sup>1</sup>A number of additional ratifications covering different draft conventions of the conferences have been made by various countries since this chart was prepared.



LIMITATIONS AND POSSIBILITIES OF INTERNATIONAL  
REGULATION

The most potent objections of an official character against any plan of international concert among nations on labor administration has been the hypothesis that such action would infringe upon the sovereign rights of the nations and interfere with their legislative activities. For the United States the question of states' rights in opposition to federal jurisdiction, either by treaty-making or legislation, over labor matters within private industry presents a further obstacle to official international action. For example, to cooperate with other countries in the abolition of poisonous phosphorus the Federal Congress, having no other expedient way to act, exercised its taxing powers to pass a measure equivalent to a prohibitory law.<sup>1</sup>

In addition to the political objections, economic and social ones have been urged. Among these are differences in climates, races, and customs, and in economic opportunities and conditions. Aside from these factors is the conflict between capital and labor, with the operation of many of the same beliefs and principles in the international field as in the domestic.

The evidence points clearly to the beginning of a new era for workers throughout the world on an international basis. The practical question is one largely of attitude and of a workable method and not of basic aims. The nations of the world need to take concerted action to further these ends through harmonious legislation and unified effort in place of sporadic and uncontrolled effort and expression of violence. The issue is between procedures of cooperative progress, on the one hand, and wasteful conflict, on the other. Competition in trade between nations increases the difficulties in the way of securing international harmony.

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<sup>1</sup>For discussion of the constitutionality in the United States of treaty provisions affecting labor, see T. I. Parkinson, "Constitutionality of Treaty Provisions Affecting Labor," *American Labor Legislation Review*, March, 1919, pp. 21-32.

One of the greatest steps in economic and social progress that can be taken by any nation is to foster proper standards of wages and working conditions. Such standards arrived at by the several nations each individually, will gradually bring about a good measure of international accord in the same direction. Every nation should promote the economic and social well-being of her work people by international exchange of ideas and practices, through appropriate channels of education, conference, and treaty-making. For America this will, in effect, be nothing more than making explicit the approval of those conditions affecting the employment and administration of labor that are already numbered among the movements now championed by progressive leaders of our industries among both employers and workers for the betterment of the work people of this country and the greater solidarity of the nation.

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## XXVIII

### TRENDS IN LABOR RELATIONS

Industrial evolution a continuous process. Field of labor relations offers no exception to this principle. The important trends in labor relations. Their interrelation. Effect of basic economic and social forces not always apparent on surface. Illustrations. The responsibility of all parties. Need for an enlightened public opinion based on complete facts.

ANY scheme of administration in industry, to be practical, and any industrial philosophy, to be well-grounded, must take into account the changing aspects of the economic and social order to which they pertain. It is relatively easy to compare the present with the past and make note of marked changes that have occurred, and within reasonable limits this is increasingly easy as the time-interval itself becomes greater. Thus today the industrial revolution in the more advanced industrial countries is accepted as a historical fact of far-reaching consequences for both industry and humanity. But it is just as important, if not more so, to relate the present to the future as it is to compare it with the past. For the process of industrial evolution is continuously going on, and the present is soon the past, and the future, the present.

The field of labor relations furnishes no exceptions to this principle. Change is continuously taking place—in some aspects more marked than in others, with some one thing more dominant at times in one locality or section of the world than in another, and with varying degrees of speed in the transition.

In the preceding pages the major phases of labor relations have been analyzed and interpreted. In the light of this discussion, based upon experience and principle, it is now possible to bring together in one view the more im-

portant trends in this field as they at present point toward the future. Briefly these may be described as:

1. A clearer realization of the permanent community of interest between employer and employee, between capital and labor;

2. An increasing appreciation of the dignity of labor and of labor's rights;

3. A growing recognition by labor of the proper and necessary place of capital and management in industry;

4. Greater cooperation of capital and labor in an affirmative manner, with labor sharing actively in the control and earnings of industry and not necessarily always separate and distinct in person from the holders of capital;

5. The growth of organization among workers and among employers for the purpose of cooperation rather than primarily for conflict;

6. A practical recognition that industry exists for the sake of humanity and not humanity for the sake of industry—that, after all, production is a means and not an end;

7. A positive acceptance of the fact that labor as an agent in production is human and not to be considered a service in merely the sense of a commodity, and that therefore the personal well-being of the individual worker, in addition to his rights and duties as a worker, is essential;

8. A realization on the part of industry that production should be gaged by the needs of society and not by chance or the vagaries of marketing and distribution alone—that a wholesome balance between consumers' needs, production, and the distribution of goods is desirable;

9. A recognition of the limitations of unrestricted standardization and centralization of production as they affect labor;

10. A recognition by industry of the international effects of labor relations in that the terms and conditions of em-

ployment of labor in two or more countries affect the industry and commerce generally of those countries in their mutual relations;

11. An appreciation of the fact that the problems of labor relations are inseparable from the other problems of the conduct of industry, such as those of finance, stabilization, and marketing;

12. A recognition that the spirit and not the form should govern—that the machinery for handling labor relations is secondary to the spirit back of it;

13. An increasing conviction that any permanent solution to the problems arising from the relations of capital and labor must come from their inner activity through the orderly processes of education and growth in the general progress of industrial evolution, rather than from the exercise of external force and compulsion.

These forces, of course, cannot be considered apart from each other, for they act and react upon each other. Their enumeration, moreover, does not imply finality as to any fixed number or completeness of description. Their full significance can be determined only in relation to the discussions throughout the preceding chapters. Thus, the growing interest in the importance of the security of employment for workers, and the appropriate measures for relief from the hazards of employment and loss of working capacity, should be noted. Likewise, an important factor is the more efficient utilization of the present equipment of industry and greater precaution against overequipment in various lines. The stabilization of industry, in so far as practicable, is a matter of concern for both capital and labor. These and similar factors, however, in the main find their solution in the fundamental relationships already set forth.

Again, these trends may be modified by basic economic and social forces not yet fully apparent in themselves.



The ultimate effects, upon both the human and material relations of industry, of the developments of the electrical age with its radio and hydro-electric energy, are perhaps still to be witnessed. With these and other resources of both an economic and recreative nature to draw upon, manufacturing can withdraw from the congested areas and frequently do so with distinct advantage to all concerned. This process of decentralization has already appeared in some quarters. That marked social changes can accompany it is obvious. The relation of agriculture to the manufacturing industries is also becoming increasingly appreciated. While their fundamental relationships have always existed, a wide-spread and practical use of these facts has not yet fully developed. Aside from the fact that each furnishes the other with a substantial market for its product, they both are inseparably linked up with general economic and social conditions. Agricultural labor shifts to the factories and the cities, and, hence, any general consideration of the problem of a proper labor supply must eventually consider all for the country as a whole. To such facts as these should be added that of the tendency toward the application of the principles of factory production in many respects to the agricultural pursuits. Any movement on a larger scale for decentralization of factory production combined with the introduction of important phases of the principles of large-scale factory production to the farms has possibilities of further interlocking agriculture with other industries.

Another factor worthy of consideration in this connection is the present development of plans for general cooperation between producers, consumers, and furnishers of credit. Sometimes these plans explicitly involve the relations of capital and labor as such, but, in any case, the advantages and the difficulties growing out of them lend a distinct coloring to the problems of labor relations.

Among the most significant characteristics of the present day is the increasing desire to promote responsibility on the part of all parties in industry. Since responsibility

comes only from the exercise of responsibility, the possible effects in the future upon hard and fast lines of demarcation between capital and labor in both industry and the body politic command notice. Notable instances of developments in this direction of both a political and an industrial nature are already matters of history.

This fact is also important with regard to the development of what in some quarters are considered radical tendencies. So long as properly constituted channels are followed, responsibility tends to bring moderation in labor relations as in other fields. There are concrete evidences that labor, having assumed positions of responsibility, assumes the corresponding obligations. For those special groups in society who do not conform to the will of the majority, the way to prevent radicalism is to liberalize conservatism and thus make it progressive.

There are certain fundamental relations lying at the bottom of the capital-labor, or employer-employee, problem in industry. The first and foremost need is to get at these fundamentals. If abuses exist on either side, they should be corrected, but the basic relations must be properly considered.

Herein comes the need for facts—real, complete, and impartial. Industry is now coming to realize that the lack of such facts, whether it be occasioned by negligence or desire, is, in the long run, bad; for without a basis of fact to proceed upon, a common understanding cannot be reached. The best way to get together is to cultivate the habit of thinking together on recognized essentials.

Over and above private agencies representing only a particular interest in any given case, and, hence, in the past too often to be placed under the general heading of propaganda, the development of machinery to secure facts is advancing along three general lines: (1) private but impartial agencies which, in effect, become quasi-public agencies; (2) joint bodies truly representative of all directly interested elements operating on a cooperative and constructive

basis; and (3) governmental commissions or other agencies acting for individual countries or communities alone or for nations jointly as found in the International Labor Office of the League of Nations.

Today an enlightened public opinion based on recognition of all responsible elements affecting industry and insisting upon knowledge of complete facts about them is leading the way for the future solution of the problems of labor relations. It is more and more taking an active part in determining a basis of operation fair alike to labor, capital, and the public, recognizing the rights of each in a practical manner. Back of it all is the underlying idea that cooperation and not conflict should prevail, that all proper interests should be protected, and that after all capital and labor have an ultimate community of interest transcending any momentary differences and that together, in one way or another, they very largely comprise the public whose rights are to be respected.



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## APPENDIX

### CASE PROBLEMS

THERE are three general kinds of problems, from a case standpoint, that one has to deal with in the field of labor relations. The first and most important of all is that of sensing the real problem in any given situation—of getting properly atmosphered, so to speak. The big problems do not come up already labeled and ready for the mere application of a specific formula for their solution. The protest of a group of workers against a particular thing or group of things, for example, may be but the outward focal point for conditions much more fundamental. At times, also, there may be no complaint or concrete evidences upon which to make a judgment. Frequently the real problem lies in anticipation of things which if foreseen can be properly handled, but which otherwise cause difficulty. Problems of this kind from their very nature do not permit of being put down in specific form, for such description of itself eliminates the real difficulty of judgment normally present.

The second type of problem is that in which the real setting of the situation is recognized and apparent, but the general principles conditioning it remain to be determined. Where conflicting view-points exist as to what principles should be made to govern a given situation, this type of problem may be very difficult of a practical solution. Thus the issue may be admittedly one of wages, but the question of whether the principle of a living wage, a productivity wage, a proper standard of living wage, or a wage based upon supply and demand of labor may still remain unde-

The third kind of problem is that in which the setting and general principles are known, but the specific steps in cided.

the solution are yet to be worked out. In this class, for example, would come the matter of determining the proper standard of living for setting a specific wage where the principle of the standard of living has been agreed upon as the basis to be followed.

Often the situation is so complex that a single, clear-cut picture of it cannot be secured, and it may change from day to day, as not infrequently occurs during prolonged negotiations where a cessation of work is involved. When possible, a comprehensive survey of all of the fundamental factors affecting labor relations both directly and indirectly is necessary as a means of securing facts upon which to base action. But it is essential to recognize that the relative importance of these factors may vary in different situations. It is also necessary to recognize that no standardized procedure can be employed in all cases involving the same general issue.

In this connection it is desirable to appreciate that a satisfactory solution must take into consideration the development of the particular types of organization, personnel, methods, and attitudes of mind of the various parties concerned, in addition to terms and conditions of employment as such. Certain matters pertaining to the conduct of business are of an intangible nature, being the subjective accumulation of experience from day to day and year to year within the organization itself and cannot be ignored. Observations and conclusions in most cases must be based upon personal evaluation of not only the impersonal facts in the situation, but also of the attitude and personality of the persons who may present facts as they see them and of the circumstances out of which such statements may arise.

Furthermore, it must be constantly borne in mind that the various phases of labor relations are interdependent, and that judgment regarding one phase without knowledge of the others may render one liable to error in any suggestion or decision that he may make. Also, the problems of

labor relations themselves cannot be considered apart from those of production, finance, and sales, in their broad aspects.

With these limitations in mind, certain case problems designed to focus one's thinking upon the three kinds of problems already described, in their respective instances, may be offered.

1. The 350 workers of a plant are divided about equally into two skilled crafts. The first group, or Craft A, has practically full-time employment throughout the year, requires great skill in the work, which is hazardous to the individual worker, and, unless it performs its task with proper craftsmanship, makes a product which is inherently dangerous to the user thereof. The second, or Craft B, can count on only about 200 days' employment during the entire year, requires long training to become proficient in both skill and speed, and does arduous though not hazardous work. The services of each of the crafts are essential. A number of men from each craft have gone into business for themselves after having served rather long periods of time with the company and becoming acquainted with its general business possibilities.

(a) Should Craft A and Craft B receive the same rate of pay while in the employ of the company?

(b) On what premises do you base your conclusion?

(c) To what extent would you alter your conclusion as reached above if men were not readily available for one craft but were for the other?

2. A company manufacturing ladies' fine shoes desires to introduce a general cost accounting system involving a usual type of slip or ticket showing the individual worker's output per unit of production, which record is to be used solely for cost purposes and not to set wages. The management calls a meeting of the workers which is attended by all of the employees, about 300 in number, and in a talk explains the system fairly to them. There is considerable discussion of the plan during the meeting, but no actual objections are raised and apparently everything is satisfactory for the installation of the system.

The management, therefore, notifies the workers through the regular method of notification, the individual pay envelopes, that on and after a given date the system will be in effect. Practically all of the employees belong to a recognized union whose local draws its entire membership from this plant, including the officers

of the local. The day after the notices are received by the employees, the company gets formal notification from the union to the effect that by due vote of the employees the workers will strike if the system is put into effect. There is no regular plan of conference or other form of systematic joint relations between the management and workers, but the relations between the management and the union as such have been most cordial, with no question as to union recognition or dissatisfaction of individual workers, and the union's officers have an excellent reputation for reasonable and fair dealing. It is a peak period of production for the company and any extended shutdown of the factory would entail a prohibitive loss to the concern as well as substantial loss to the workers, which facts are obvious to both sides to the controversy.

(a) What do you consider to be the issue or issues involved, taking the facts mentioned above at their full face value?

(b) How would you prevent a stoppage of work?

(c) What permanent solution of the difficulty would you offer and what would be the main provisions in it?

(d) How would you endeavor to have them put into effect, and by whom?

3. On November 15, 1919, 300 workers in a plant employing 1,200 employees requested a 30% increase in wages, giving as reason for such increase the statement that the cost of living had increased on the average 80% since January 1, 1917. The employer contended that wages had increased on the average 65% during the same period, and indicated his willingness to grant a 15% increase in wages to the complainants. The complainants refused to accept this offer and clung to their original request. How would you proceed, and why, if you were to act as arbitrator in the controversy?

4. A textile manufacturing company employs about 25,000 workers, one-half of whom belongs to the United Textile Workers of America and the other half of whom belongs to the Amalgamated Textile Workers of America. The company desires to introduce a uniform system of peaceful negotiation or cooperative management throughout the plant. Explain in detail how you might proceed, as the representative of the management, to effect such a measure.

5. "What this country needs is more production." Discuss this statement in relation to the problems of labor administration.



6. "Labor unions create class consciousness." What do you think about this statement? Give reasons for your opinion, illustrating with an analysis of a strike situation of general importance, such as the anthracite coal strike of 1902 or the conditions leading up to the enactment of the Adamson Bill in 1916, or the railroad shopmen's strike of 1922.

7. In a manufacturing plant that employs 2,500 or more wage-earners, you are invited to make a general survey of labor relations. Taking as a type a plant of this general description with which you are acquainted:

(a) Point out the facts of major significance regarding the relations of employer and employees as they affect each other within the plant and as members of the community. Which facts do you consider favorable and which unfavorable?

(b) What specific administrative problems arise out of the conditions which you refer to under (a) above? Give reasons for your opinion in each case.

(c) What suggestions or recommendations would you make toward the solution of these problems, other things being equal? Give reasons.

(d) To what extent do you consider the status of the workers in this plant or organization as typical of the status of workers generally throughout industry today? Be specific.

8. In a manufacturing establishment that employs about 3,000 wage workers, Mr. A is one of a number of selected men who belong to a "flying squadron" training class that is being put through a two years' course of training throughout the whole organization in anticipation of their becoming executives in the company. Mr. B is foreman of Department X. Mr. C is an individual worker in Department X, having been in the department for a number of years, and is first in line for promotion to, and capable of filling, Mr. B's position if and when it becomes vacant. Mr. B dies. The company feels that substantial experience as foreman of Department X is essential to Mr. A's training. Mr. C insists that he is entitled to promotion as foreman of the department. If you were labor manager for this company, how would you handle this case?

9. A company manufacturing automobile tires and employing 3,000 workers, 30% of whom are unionized, desires to introduce a plan of employee representation of the type which is known as the Company Council Plan (that is, same general type as Colorado Fuel and Iron, International Harvester, etc.). It announces its

intention to the employees without the plan itself being worked out in detail. The following day representatives of the union workers signify their opposition to the movement. Indicate what steps you would take and also what provisions in the plan you would strive for, as the representative of the management, to facilitate the introduction of a successful plan.

To what extent, if any, would you alter these plans if 70% of the workers belonged to a union?

10. A plant employing 4,000 men workers is situated in a community of 150,000 population. The company does a general steel manufacturing business. It expresses a desire to assist its employees in a proper way to own their homes, and retains you to help introduce a housing plan.

(a) What conditions would you inquire into in order to determine your general course of procedure?

(b) Outline in detail a housing plan that would meet the constructive requirements of good housing practice.

11. The foremen and department heads in a manufacturing plant employing 3,000 workers, most of whom are skilled and work in departments having 50 to 100 employees each, show such lack of uniformity in dealing with their workers generally, and show such sporadic and in numerous cases such temperamental behavior as to increase in pay and discharges from their departments, that the general efficiency of the plant is impaired and the morale of the working force is broken.

(a) What conditions would you inquire into in order to learn the real cause of trouble?

(b) What policies and what particular provisions would you suggest to remedy it?

12. Prepare an immigration bill that you consider will meet the proper requirements of the United States on immigration. Give its provisions in full and in form suitable for introduction to Congress for action.

13. What do you consider to be the possibilities and limitations of trade tests and psychological tests in the selection and handling of personnel in industry?

Criticize a trade test for a trade the operations of which you know with reasonable accuracy.

14. Assume that you are in charge of labor administration for a steel or rubber company employing 10,000 workers in a single plant. The president of the company is considering the advisa-

bility of introducing a plan of profit-sharing into the plant, and requests your opinion regarding the matter.

(a) How would you arrive at your opinion?

(b) Indicate certain possible points of major significance in your opinion to the president.

(c) Give reasons to substantiate your position.

15. How would you "reward" length of service of employees in a large manufacturing concern? Give reasons. Discuss in relation to conditions in a particular plant with which you are familiar, outlining your plan in detail.

16. Suggest the organization and functions of a department of personnel or labor administration for a manufacturing concern employing 5,000 workers, in a single plant, with organization chart.

17. Assume that you have just been appointed the executive responsible for the labor policies of a given plant (choose any particular plant you are acquainted with), and that you feel certain decided changes in the labor policies of the concern are desirable.

(a) First enumerate the changes you wish to make.

(b) How, in general, would you proceed to effect these changes?

(c) What specific arguments for, and possible limitations of, your policies would you present to the general management?

(d) Prepare a letter or other form of announcement to the foremen and other department heads outlining the new policies.

How would you have it presented to them and by whom?

(e) How would you proceed to secure the coordination of all these policies throughout the organization?

(f) What steps, if any, would you take to reach the rank and file of employees?

18. Does increased buying power for a community as a whole mean increased prices? Does a decrease in wages throughout a community mean reduced cost of living?

19. A plant manufacturing a varied line of sundries, which permits of a rather even schedule of operations throughout the year without idle equipment and with a stable demand, regularly has 3,300 workers on its pay-roll when operating at normal efficiency as determined over a substantial period of time with the existing equipment. During the year 1922, after having operated on the basis described above for some time, the following condi-

tions arose: In January, 25 workers left and were replaced; in February, 28 left and were replaced; in March, 50 left and were replaced; in April, 180 left, of whom 95 were replaced, and during this month 40 workers were absent or tardy an average of 2 hours each; in May, 175 left and 220 were hired to replace workers who had left, and 36 workers were absent or tardy an average of  $1\frac{3}{4}$  hours each; in June, 60 left and 100 were hired to replace those left, and 20 workers were absent or tardy an average of 1 hour each; in July, 40 workers left and 105 were hired, and 24 workers were absent or tardy  $\frac{3}{4}$  of an hour each.

On August 1 the company, because of increased business considered to be of a permanent nature, put in additional equipment that required the labor of 200 additional workers; and during August, 30 workers left and 185 were hired, and 80 workers were absent or tardy an average of  $2\frac{1}{2}$  hours each; in September, 15 workers left and 125 were hired, and 18 workers were absent or tardy an average of  $\frac{3}{4}$  of an hour each; in October, 12 workers left and all were replaced, and 10 workers were absent or tardy an average of  $\frac{1}{2}$  hour each; in November the same conditions existed as in October, and in December there were 22 workers absent or tardy with an average loss of 1 hour each, and 5 separations all of which were replaced. On January 1, 1922, the company had its normal working force.

From close investigation the company figures that it costs \$140 to train each worker, everything considered, who takes a former employee's place. The workers received 80 cents an hour regularly. It was estimated that an average of one day's time was lost for each worker who left and was replaced. The plant operates on an 8-hour schedule per day. During the period under discussion the processes involved in production did not change, but during the months of April and May there was a noticeable decrease in the efficiency of the workers which was estimated at 10% during April and 5% during May for 20% of the workers on the pay-roll.

(a) Compute on the basis of a common unit the amount of loss in man-power suffered by the company from each of the conditions described above.

(b) Compute on the same basis the entire loss in man-power for each month and for the entire year.

(c) Show these results in graphic form.

20. On May 1, 1919, an employer and a local union representing the employees in his plant duly enter into a written agree-



ment which expires on May 1, 1922, and which contains clauses providing that (1) the employer agrees to pay the wages and maintain the working conditions contained in the scale of wages and contract attached to the agreement; (2) if at any time during the life of the agreement the union establishes new scales of wages or contracts with a substantial number of the employers, then the employer is to substitute for the attached scales and contracts the later ones and make the later ones effective; (3) if any dispute arises as to the intent, meaning, or application of any clause or portion of the agreement or any provision of the attached or any working conditions, such dispute, if it cannot be settled by conciliatory methods, shall be referred to a board of arbitration composed of one representative chosen by the employer, one representative chosen by the union, and a third member chosen by these two, the decision of which board shall be final and binding upon both contracting parties; (4) a decision of the board must be rendered on any case within thirty (30) days after notice of any difference has been given by either contracting party; (5) all notices or complaints with reference to this agreement shall be made in writing.

On April 10, 1921, the employer, in conference with the union officials, requests a mutual agreement for a 10% decrease in wages to be effective April 25, claiming that a substantial number of the employers of members of the union have effected such a reduction in wages and that general economic conditions and a decrease of 18% in the cost of living from peak prices warrant the reduction in wages. The union claims that a majority of its employers have not secured a reduction in the wages and that the cost of living and other conditions do not justify an adjustment of wages. Oral negotiations between the employer and the union continue for 10 days unsuccessfully. At the end of that time the employer posts written notices throughout the plant announcing a 10% reduction in wages effective on and after April 25. The union, in conference with the employer, protests this action, and the employer offers to place the difference in wages in escrow, to submit all matters of difference to arbitration, and to make any wage decision retroactive from the date of award to April 25. The union in contrast claims violation by the employer of provisions 1 and 2 of the agreement, and states its willingness to arbitrate the question provided the old wage rates remain in force until the arbitration is completed, but refuses to act otherwise. The employer renews his offer but puts the reduced wage into effect on April 25. The union then claims a breach of contract by the employer and that this breach releases it from obliga-



tion under the agreement, and strikes. The employer claims that he had done everything within reason to effect a peaceful settlement and that the union was not refused employment and that the union had voided the contract. The union admits that its members could have remained at work at the reduced wage.

(a) Was there a breach of contract? If so, by whom?

(b) If there was a breach of contract, did it void the agreement?

(c) What steps would you recommend to secure an early resumption of work on a peaceful and equitable basis?

(d) What steps would you recommend to secure a permanent adjustment of the difficulty between the parties?

21. In a Massachusetts retail dry-goods store the saleswomen receive a weekly salary of \$13. If in any week they sell over \$250 worth of goods, they also receive a bonus of 5% on the excess; but, if their sales fall below \$250 per week, they are not in any way penalized. The State Minimum Wage Commission sets a minimum weekly wage of \$15. The company depends on the bonus to make up the difference between the salary as such and the minimum wage set by the commission. The company wishes to know how long a period it could let run before figuring up the actual earnings of the saleswomen and, in the event they have not received during this period \$15 a week or more, make up the difference to them in cash. Also, these same employees receive \$26 when they go on vacation, the equivalent of two weeks' salary, and as the company pays this \$26 without receiving the regular service for it in return, it wishes to know if this \$26 can count in making up any deficiency between what they actually received and the amount set as the minimum wage. What should the Minimum Wage Commission rule in this case?

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